European Researsh Series

European Research Series

A Rising Tide Failing to Lift All Boats

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

Social Justice Ireland
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Preface

'A Rising Tide Failing to Lift All Boats' reviews the social situation in the 28 EU member states and makes some proposals and recommendations for a more sustainable and inclusive future. Although the data in this report relates to the period prior to the Covid-19 pandemic, its findings are no less relevant. In fact, one of the key findings of this report - that the European Union itself and many member states never fully recovered from the financial crisis of 2008 - should inform investment policy at EU level as work on rebuilding our society and economies gets underway. In this time of unprecedented crisis, the European Union must heed the lessons from the financial crash of 2008. Over ten years on from the financial crash, and after six years of economic growth, before the onset of Covid-19, across the European Union there were:

- 16.8 million people unemployed
- 6.65 million people long-term unemployed (representing over 40 per cent of total unemployment across the EU, a cause for concern)
- 3.4 million young people aged under 25 unemployed (the highest rates are in Greece, Spain and Italy)
- 86 million people living in poverty (6 million more people than in 2008) - of whom over 19 million are children (one fifth of Europe's children living in poverty).

The European Union never fully recovered from the financial crisis and without substantial and coordinated action now, the current social and economic crisis could destroy it. A strong response based on the European Social Model is required. This response must be based on investment in a sustainable future, in our social and human capital. The European response must be focussed on protecting people across the lifecycle, young and old, men and women, those with an income and those with no incomes. Those people who were already in a difficult situation before the Covid-19 crisis will be hit the hardest, and unlike in 2008, they must be protected as part of any recovery.

'A Rising Tide Failing to Lift All Boats is the twelfth publication in *Social Justice Ireland's* European Research Series. This report analyses performance in areas such as poverty and inequality, employment, access to key public services and taxation. These areas are examined in light of the key social policy responses of the European Union to the crisis including the social investment package.

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

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

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

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

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

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

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

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

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1 Introduction and Context

This report is one of a series that *Social Justice Ireland* has published addressing the social situation in Europe. In previous reports, we considered the background to the economic crisis of 2008, its aftermath and the European policy response to it at some length. In this report we briefly refer to the crisis and its aftermath and then consider more recent social policy developments in Europe. In the Chapters that follow we look more closely at the recovery across Europe after the economic crisis, examining issues of poverty and social exclusion, inequality, employment and unemployment, education, health services and taxation. We also include a Chapter in which alternative policy approaches are discussed to address some of the challenges that the report highlights. We finish with some recommendations. Although the data in this report pre-dates the Covid-19 pandemic, its findings are no less relevant. In fact, the findings of this report on the very uneven recovery from the economic crisis should inform European investment policy as work on rebuilding our society and economies gets underway.

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

1.1 Background: The Crisis and its Aftermath

The origins of the global economic crisis and the official reaction to it are discussed in previous reports in this series. In short, its origins lie in bad regulation and bad financial practices in the United States. What began as a clear failure of the market economy (particularly amongst financial institutions) was soon interpreted as a problem of the overstretched role of the state leading to a prioritisation of austerity policies which became seen as the dominant priority of the financial leaders of Europe (Sen 2015).

As the crisis spread, budgetary consolidation, economic recovery and protecting the euro were the dominant political priorities followed in 2015 by the European Central Bank launching a programme of quantitative easing[1] designed to stimulate the economy by encouraging banks to make more loans. By contrast, efforts to create a more socially just society 'have remained rather feeble, at least as perceived by the general public' (Schraad-Tischler and Kroll, 2014: 85). Austerity policies and structural reforms pursued during the crisis had negative effects on social justice in most countries (Schraad-Tischler and Kroll, 2014). Sen (2015) is critical that more public discussion was not encouraged that might have prevented policy errors. Against this backdrop, people affected both by the economic crisis of 2008 and by subsequent austerity measures became disenchanted with the European project in many countries. This was given expression in the rise of Eurosceptics, populists and the far-right and, most notably, in the 2016 Brexit vote in Britain.

[1] Quantitative easing 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)

In this context, it is interesting that in recent times there has been acknowledgement of mistakes made in imposing austerity on the part both of economists and international bodies (see Skidelsky 2018; Scally 2019). For example, it is notable that Economists from the International Monetary Fund – one of the bodies that presided over austerity policies – critiqued that approach trenchantly in 2016 saying:

> 'Austerity policies not only generate substantial welfare costs .... they also hurt demand—and thus worsen employment and unemployment.... The evidence of the economic damage from inequality suggests that policymakers should be more open to redistribution than they are' (Ostry, Loungani and Furceri 2016: 40-41).

Another example comes from the OECD which for some time is explicit that mistakes were made in the response to the economic crisis (see OECD 2015b). They call for a greater focus on well-being and its distribution to ensure that growth delivers progress for all. They relate this to very high levels of inequality in the OECD and to the fact that large income inequalities undermine growth and wellbeing, and require, amongst other things, that taxation systems are reformed to ensure that they are progressive enough (OECD 2015b).

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

Perceived insecurities related to income, accommodation, and employment are increasingly recognised in the EU with negative impacts on well-being and on trust (Eurofound 2019c).

1.2 Developments of Recent Years

While noting that Europe's economy is now entering its sixth year of uninterrupted growth, the Annual Growth Survey from the European Commission for 2019 also acknowledges that some European countries are still experiencing high unemployment rates and household income below pre-crisis levels. The Commission acknowledges that some countries suffer from underemployment or skill shortages while longer-term challenges – such as population ageing, digitisation and its impacts on work, climate change and unsustainable use of natural resources – remain pressing (European Commission 2018b).

Economic growth and the improvement of the labour market have, so far, had a rather mixed and sometimes limited impact on the other social indicators (Social Protection Committee 2018). Despite some positive developments in recent years, the EU is far from achieving the Europe 2020 target of lifting at least 20 million people from the risk of poverty and social exclusion. There are also concerns about the way that the employment picture is evolving in recent years – especially regarding growth in temporary, part-time and precarious work and falling or stagnating wages.

The European Commission's review for 2019 notes evidence from Eurobarometer surveys, that Europeans have concerns related to rising prices, health and social security, pensions and the financial situation of their household as well as concerns relating to environment, climate and energy issues and housing, which are gaining ground over time. Europeans increasingly demand action to address the evident contrasts, while continuing efforts to address other important challenges - notably migration and security – and to combat climate change and environmental degradation (European Commission 2019a). One issue recently highlighted in the way that the recovery is evolving relates to growing inequality between regions, which is one factor leading to disenchantment with existing political systems, which in turn is weakening the social bonds that ground democratic systems (Eurofound and European Commission 2019).

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

It seems obvious that the rising tide has not lifted all boats. A rising tide does not provide everyone with a boat (the foundation upon which to participate in society) or repair the damage to some boats caused by social and economic exclusion (Clarke and Kavanagh 2019:7). Perceived quality of public services is a key driver for higher trust in institutions, pointing to the value of public participation in the co-design of services (Eurofound 2019c). While the economy and economic growth are important, they exist in a context, and economic growth is as much an effect of social progress as a potential contributor to social progress.

1.3 EU – Key Social Policy Responses

The European Council adopted the Europe 2020 Strategy in 2010 as a key response to the economic crisis. It set out to develop a more balanced and sustainable approach for the future (European Commission 2010). The strategy was seen as a step forward in the development of EU policymaking, because it recognised the importance of social issues. It committed European states to work towards targets in a range of areas including on poverty and social exclusion, employment and education and established an agreed set of indicators designed to measure progress toward meeting those targets. Progress or otherwise towards meeting those targets is a key focus of this report.

Adopted in 2013, the European Commission's Social Investment Package reiterated the importance of an active inclusion approach and set out how well-designed social policies can contribute to economic growth as well as protecting people from poverty and providing economic stabilisers. The European Commission argues that addressing excessive inequality in Europe requires adequate levels of social investment, investment in lifelong learning, and social expenditure that is more responsive to the economic cycle (that is, periods of growth and periods of recession) and integrated welfare reforms supported by well-functioning labour markets (2015). Other initiatives taken include the Youth Guarantee, the Youth Employment Initiative (the main EU funding programme to facilitate the roll-out of a guarantee to which member states had committed in 2013) aimed at supporting particular regions where youth unemployment is higher than 25 per cent (launched in 2014). Its effectiveness was the subject of a review in 2019 (results pending).

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

The EU contributed to the formulation of the UN Sustainable Development Goals (or SDGs) 2030 agenda. The Commission's Reflection Paper 'Towards a Sustainable Europe by 2030', January 2019, notes how the EU compares favourably with other world regions in many respects but acknowledges that democracy, economy and natural environment all need continuous efforts to 'consolidate achievements, to fully overcome the negative impact from the economic and financial crisis, to decouple the improvement of our health, welfare and well-being from environmental degradation, to overcome social inequalities, and to address challenges that go beyond borders' (European Commission 2019c). It is also interesting that a review of the performance of 193 UN countries in addressing SDG targets suggests that Nordic countries – Denmark, Sweden and Finland – top the SDG Index while each also faces challenges on meeting one or several SDGs (Sachs et al 2019).

The European Pillar of Social Rights in 2017 is the European Commission's latest major initiative in the field of employment and social affairs. It is understood as official recognition that the reactions to the Eurozone crisis neglected the EU's social dimension. It articulates 20 key principles, structured around three categories: equal opportunities and access to the labour market; fair working conditions, and social protection and inclusion. But there is no specific focus on addressing inequality, it does not confer legally-binding rights and there is no concrete implementation plan.

The question of how this fits with the EU's fiscal discipline remains open and, according to Crespy (2017), raises questions about the coherence of the EU's socio-economic strategy as a whole. It is also true that in reality the EU's mandate in social affairs is limited, and both successes and failures result from responsibility shared with Member States (Menéndez-Valdés 2017). Overall, it is clear that its implementation will require a commitment to its aims and actions not only at European level, but by Member States, social partners and governments at national and regional level (Menéndez-Valdés 2017).

One follow up to the European Pillar of Social Rights has been the adoption of a new Directive (2019/1152) on Transparent and Predictable Working Conditions. This Directive modernises existing obligations to inform each worker of his or her working conditions and aims to create new minimum standards to ensure that all workers, including those on atypical contracts, benefit from more predictability and clarity as regards their working conditions. Thus, each worker is to benefit from a set of provisions to reduce precariousness. However, arguably it does not address the worst forms of precariousness and does not, for example, prohibit zero-hours contracts (Piasna 2019). EU Member States will have until 2022 to transpose the new rules into their national legislation.

Returning to the concept of social investment, it is characterised by policies that 'prepare' individuals and families to respond to new social risks of the competitive knowledge society by investing in human capital from early childhood on, rather than simply to 'repair' damage after moments of economic or political crisis (Hemerijck 2014). The European social investment package calls for social protection systems that guard against risks across the lifecycle, emphasising the need for well-targeted, comprehensive and enabling benefits and services. It stresses that welfare systems fulfil three functions: social investment, social protection and stabilisation of the economy.

The social investment approach relies on the assumption that social and economic policies are mutually reinforcing and that the former, when framed from a social investment perspective, represents a precondition for future economic and employment growth. The Social Investment Package aims for quality employment for those who can work and for resources sufficient to live in dignity for those who cannot (European Commission 2013a).

1.4 This Report

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

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

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

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

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

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

For *Social Justice Ireland* every person has seven core rights that need to be part of the vision for the future: the right to sufficient income to live with dignity, to meaningful work, to appropriate accommodation; to relevant education, to essential healthcare, to real participation and the right to cultural respect. See **Table 2.** *Social Justice Ireland* believes that deliberative processes are crucial to the future of Europe founded on the idea of deliberative democracy in which decisions are made based on reasoned evidence-based and enlightened debate in which decision ns taken are justified and accessible to the general public.

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

This report is intended to be complementary to another published annually by *Social Justice Ireland* in which we track Ireland's progress in a European context in reaching the Sustainable Development Goals (over the short and long term) (see Clark and Kavanagh, 2017, 2019; Clark, Kavanagh and Lenihan, 2018).

In **Sections 2** to **4** of this report, we will discuss issues relevant to the realisation of some of the above rights by looking at social indicators under the headings of poverty and social exclusion, employment/unemployment, and services in health and in education. We will also look at how countries compare in respect of total taxation[2] (**Section**

2 That is, taxes on production and imports, income and wealth, capital taxes, and compulsory social contributions paid by employers and employees

5). Throughout the report we will review how the groupings of countries relative to their performance under social investment and set out in **Table 1** perform in relation to some of these headings. We will then set out some alternative approaches to policy-making in **Section 6,** and finish by drawing some conclusions and making some recommendations in **Section 7.**

Chapter 2

2 Poverty, Social Exclusion and Income Inequality

Social Justice Ireland includes the right to sufficient income to live with dignity amongst its list of core rights that need to guide policy-making in the future. (For the full list, see **Table 2**.) This is consistent with the Global Goals for Sustainable Development which involve a commitment to 17 Global Goals (also known as Sustainable Development Goals or SDGs) with targets that include ending poverty and fighting inequality over the next 15 years, as well as tackling climate change. *Social Justice Ireland* argues for these goals to be at the core of policy-making in the years ahead.

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

2.1 Poverty and Social Exclusion and other Measures

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

(1) **people who are at risk of poverty** - people with an equivalised disposable income below the risk-of-poverty threshold set at 60 per cent of the national median (or middle) equivalised disposable income (after social transfers) (Eurostat, t2020_50)[3];

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

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

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 (using

3 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%.

2008 as a baseline and giving information from 2013 to 2018), and we discuss each of them further below. Sometimes there can be diverging trends among the three sub-indicators because of their different nature and the three related but distinct concepts of poverty they represent.

The **Glossary** at the back of this report contains more detailed definitions of the indicators used in the EU 2020 Strategy.

The dynamics of poverty (or looking at poverty over time) is an important dimension of measurement, including issues around probability of exiting and entering poverty in different groups of the population (Vaalavuo 2015). Results show great variations between countries even when those countries have similar at risk of poverty rates; there are also differences between age groups in the patterns of poverty exit and entry. However, as these dynamic measures are not widely used yet in Europe we focus on the most commonly used measures.

Table 3 People Experiencing Poverty, EU-28, 2008, 2013 to 2018

Poverty Indicators								
	People at risk of poverty or social exclusion		**People at risk of poverty (60% threshold)**		**People experiencing Severe Material Deprivation**		**People in households with very low work intensity**	
EU-28	Number	%	Number	%	Number	%	Number	%
Total population								
2008**	116m	23.7	80.9m	16.6	41.5m	8.5	34.6m	9.2
2013	122.8m	24.6	83.4m	16.7	48m	9.6	41.1m	11
2014	122m	24.4	86.m	17.2	44.4m	8.9	42.1m	11.3
2015	119m	23.8	86.7m	17.3	40.3m	8.1	39.8m	10.7
2016	118m	23.5	87m	17.3	37.8m	7.5	39.1m	10.5
2017	113m	22.4	85.2m	16.9	33.1m	6.6	35.3m	9.5
2018	110m	21.9	86.2m	17.1	29.7	5.9	32.4m	8.8
Children (under 18)								
2008**	25m	26.5	19.2m	20.4	9.3m	9.8	7.3m	7.8
2013	26.3m	27.9	19.3m	20.5	10.5m	11.1	9m	9.6
2014	26.2m	27.8	19.92m	21.1	9.8m	10.4	9.2m	9.9
2015	25.5	27.1	19.96m	21.2	8.9m	9.6	8.8m	9.4
2016	24.9m	26.4	19.8m	21	8.02m	8.5	8.7m	9.3
2017	23.6m	24.9	19.2m	20.2	6.76m	7.1	7.7m	8.1
2018	22.9m	24.3	19.17	20.3	6.2m	6.6	6.9m	7.4
Older people (over 65s)								
2008**	19.2m	23.3	15.6m	18.9	6.1m	7.5	n/a	n/a
2013	16.4m	18.2	12.3m	13.7	6.2m	7		
2014	16.3m	17.8	12.6m	13.7	5.7m	6.3		
2015	16.3m	17.4	13.2m	14.1	5.1m	5.6		
2016	17.2m	18.2	13.8m	14.6	5.5m	5.8		
2017	17.54m	18.2	14.4m	15	5.1m	5.3		
2018	18.3m	18.6	15.6m	15.9	4.6m	4.7		

Source: Eurostat Online Databases: t2020_50, t2020_51, t2020_52, t2020_53, ilc_lvhl11, ilc_li02, Ilc_mddd11, ilc_peps01
** Rates for 2008 relate to EU-27 countries, not EU-28, as this was prior to the accession of Croatia

In previous reports in this series, we concluded that, having set targets to reduce poverty and promote inclusion in 2010 in the Europe 2020 Strategy, Europe moved farther away in subsequent years from achieving those targets and countries were very divergent in their experiences. The **risk of poverty or social exclusion rate** (the combined indicator of poverty used in the Europe 2020 strategy) increased between 2008 and 2012. It has improved since then but there are also a number of issues, which this report will highlight. Our main focus is on recent years, especially the period between 2017 and 2018 (2018 being the latest year for which comparable rates are available across Europe).

Thus, the risk of poverty or social exclusion rate has improved each year since 2012 but stands at 21.9 per cent in 2018 (EU-28), still representing more than one in 5 Europeans, and amounting to over 110 million people (Eurostat online database code t2020_50). Between 2017 and 2018 the rate dropped slightly from 22.4 per cent to 21.9 per cent (-2.7m people), which is welcome.

However, given that the numbers affected in 2008 had been about 116 million people (that is, in EU27)[4], Europe has only reduced the number by about 6 million people (but see note below about this calculation relative to EU28[5]) This Europe is still very far off-track in meeting the target to reduce the numbers affected by 20 million by 2020. As the most recent report from the Social Protection Committee (2018) notes, economic growth and improvements in the labour market have, so far, had a rather mixed and sometimes limited impact on other social indicators. Furthermore, the overall improved trend masks persistent difficulties amongst some groups as well as divergence between member states including persistently high levels of poverty in several countries, including among those most affected by the economic crisis.

The fact that some population groups (notably people with disabilities, people with a migrant background and ethnic minorities) are more vulnerable than others in terms of access to education, services and the labour market, translates into poorer employment outcomes, lower well-being and a higher risk of poverty and social exclusion (European Commission 2019a). Eurostat (2019a) also highlights how some groups face a higher risk of poverty and social exclusion; these include single households, migrants and people with lower education levels as well as their children. This analysis from Eurostat (2019a) suggests that almost 34 million people, or nearly a third of all people at risk of poverty or social exclusion, were affected by more than one dimension of poverty in 2017 (looking at the three dimensions of poverty that the Europe 2020 Strategy measures - see above). Out of these, 7.1 million people, or one in 16 of those at risk of poverty or social exclusion, were affected by all three forms. Simultaneously, the share of those affected by only one dimension of poverty decreased from 81.6 million people in 2008 to 79.3 million people in 2017, which means that, despite the favourable decrease in the overall share of people at risk of poverty or social exclusion, the depth of hardship for those affected has increased slightly (Eurostat 2019a).

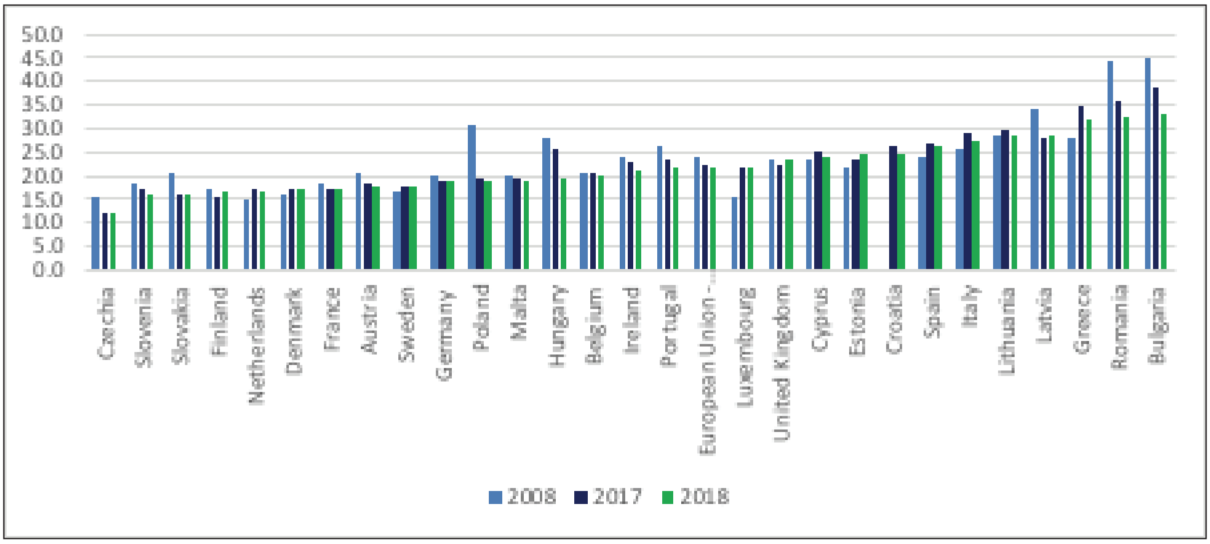
In 2018, the highest rates of poverty or social exclusion were to be found in Bulgaria, Romania, and Greece where the rates were above 30 per cent. In 4 other countries (Latvia, Lithuania, Italy and Spain) the rate was over 25 per cent. The lowest rates were found in Czechia (12.2 per cent), Slovenia (16.2 percent) and Slovakia (16.3 per cent) followed by Finland (16.5 per cent). Thus, Czechia, Slovenia and Slovakia achieve a comparably high degree of prevention of poverty or social exclusion, despite only having average economic performance highlighting the importance of the social policies pursued (see Schraad-Tischler 2015: Schraad-Tischler et al 2017).

Even though there have been improvements in the most recent year in some countries with typically high rates, there continues to be great divergence between countries. For example, there was a difference of nearly 20.6 percentage points between the country with the highest rate (Bulgaria at 32.8 per cent) and that with the lowest (Czechia 12.2 per cent) (Eurostat, code: t2020_50). See **Figure 1.**

4 This relates to EU-27 countries not EU28, as it was prior to Croatia joining. The figure had risen to about 117.9 million in 2010 when the Europe 2020 Strategy was initiated but 2008 was the baseline year

5 Eurostat gives -6.8m as the cumulative difference to 2008 for EU27. However, it gives -7.15m as the cumulative difference to 2008 for EU28 (Eurostat Online database: [ilc_peps01], latest update 29.11.19) This is likely to be because Croatia joined EU in 2013 and thus EU28 data is only available starting from 2010 (when the level was 117.9m, EU28) (European Commission, Europe 2020 Targets, pdf).

Figure 1 People at Risk of Poverty or Social Exclusion (%), EU-28, 2008, 2017 and 2018



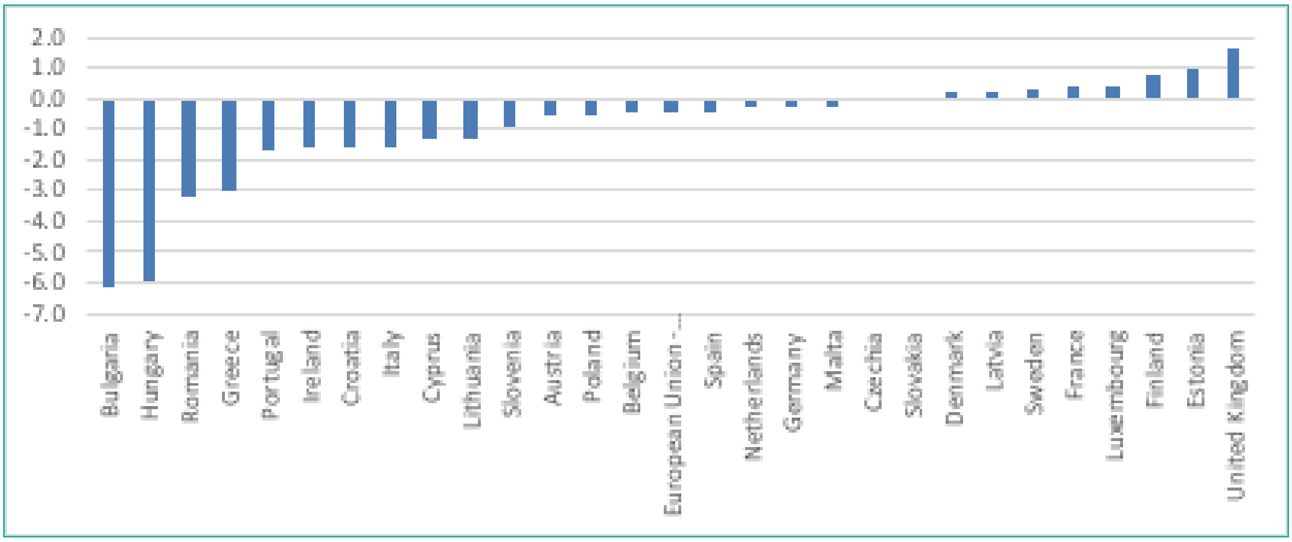
Source: Eurostat online database code: t2020_50. **Note:** EU average rate for 2008 relates to EU27 (as this was prior to the accession of Croatia).

Figure 2 illustrates the changes in the poverty or social exclusion rates amongst EU countries between 2017 and 2018. Disimprovements were observed in several countries including, notably, the UK (+1.6 percentage points) and also in some countries with traditionally relatively low rates such as Finland and France (Eurostat t2020_50). The greatest improvements occurred in the newer accession states of Bulgaria, Hungary, Romania, and also in Greece.

Turning for a moment to the review that we referenced in **Section 1, Table 1**, above, of the extent to which countries take a social investment approach in their policies (Bouget *at al* 2015), we can also review the performance of countries in preventing poverty or social exclusion, in light of how well they are constituted in relation to social investment. All of the countries that are in Group 1 for social investment (identified by the European Social Policy Network as having a well-established approach to many social policies, Bouget *et al* 2015) and set out in **Table 1,** are ranked better than the EU average in terms of protecting people from poverty or social exclusion – this is true for 2017 and 2018 and for prior years. These countries are Austria, Belgium, Germany, Denmark, Finland, France, Netherlands, Sweden and Slovenia. When it comes to how the ten countries that are in Group 3 in relation to social investment (that is, the social investment approach has made the *least* inroads into the overall policy agenda), it appears that in 2018 (consistent with prior years), 8 out of ten of them have above average rates of poverty or social exclusion and several have the highest rates of poverty or social exclusion (Bulgaria, Romania, Greece, Latvia, Lithuania, Italy, Croatia and Estonia). From this Group 3 (with the least developed social investment approach), only the Czechia and Slovakia achieve rates of poverty or social exclusion lower than the EU-28 average.

As we discussed in previous reports, Czechia has been considered, in a Europe-wide review of social justice, to demonstrate middling economic performance, but to be relatively more effective at delivering fairness in society, illustrating how social policy plays a critical role in achieving social justice (Schraad-Tischler 2015). Slovakia is considered to do relatively well in terms of protecting its population from poverty because of its comparatively even income distribution patterns (Schraad-Tischler 2015). Slovenia is considered to be showing incremental improvement on delivering social justice and to be performing comparatively well on policies affecting children and youth (see Schraad-Tischler 2015: Schraad-Tischler et al 2017), which we come to below.

Figure 2 At Risk of Poverty or Social Exclusion, EU-28, PP Change in Rate, 2017 TO 2018



Source: Eurostat online database code: t2020_50.

We turn now to look at the **risk of poverty rate**, a relative income measure representing a percentage (in this case 60 per cent) of the median income in a given country and the most commonly agreed measure of poverty across Europe prior to the adoption of the 2020 Strategy. In 2018, 17.1 per cent of the population (EU-28) was living at risk of poverty (over 86 million people). The rate was marginally higher than the 2017 average rate (16.9 per cent) (Eurostat online database, code t2020_52) although fluctuations in this rate occur relative to median income so they can increase when incomes increase. However, the 2018 rate was still marginally higher than the 2008 rate and considerably more people were affected in 2018 than in 2008 (in 2008 the rate was 16.6 per cent, affecting 80.9 million people EU-27) (Eurostat online database, code t2020_52). See **Table 3.**

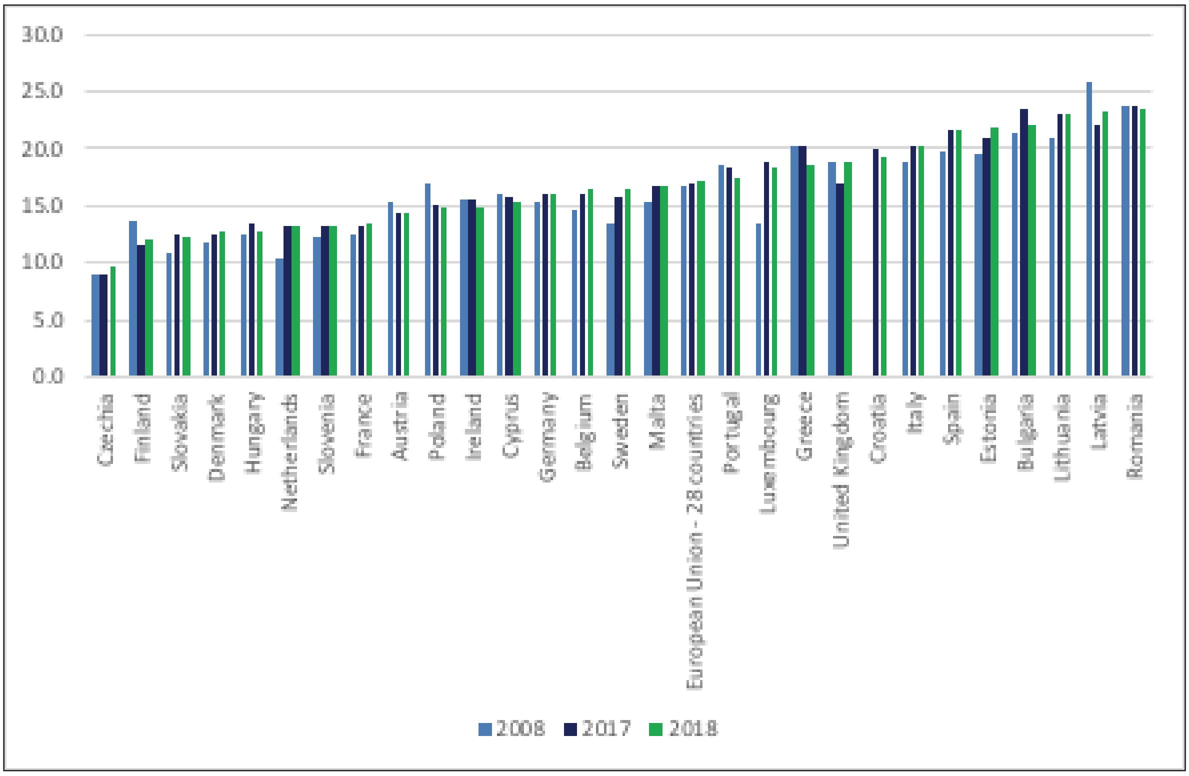
There was a large divergence between member states with a 13.9 percentage point difference between the highest rate (Romania, 23.5 per cent) and the lowest (Czechia, 9.6 per cent). See **Figure 3**.

Figure 4 shows the percentage point changes in the risk of poverty rates between 2017 and 2018 for EU-28 countries. The risk of poverty indicator rose in several countries and not only amongst the countries with traditionally high rates. The rate has increased most in the UK (+1.9 percentage points), Latvia (+1.2 percentage points), Estonia, Sweden and Finland. The most significant decreases occurred in Greece, Bulgaria and Portugal (all improved by 1 percentage point or more).

We can also look at countries' performance on the risk of poverty indicator in light of how well they perform in relation to social investment and set out in **Table 1**, in **Section 1**. Again we find that all of the countries that are in **Group 1** for social investment (identified by the European Social Policy Network as having a well-established approach to many social policies, Bouget *et al* 2015), are ranked better than the EU average in terms of protecting people from relative poverty (again, Austria, Belgium, Germany, Denmark, Finland, France, Netherlands, Sweden and Slovenia). By contrast, several countries with the least developed social investment approach have the highest rates of poverty (including Romania, Latvia, Lithuania, Bulgaria and Estonia).

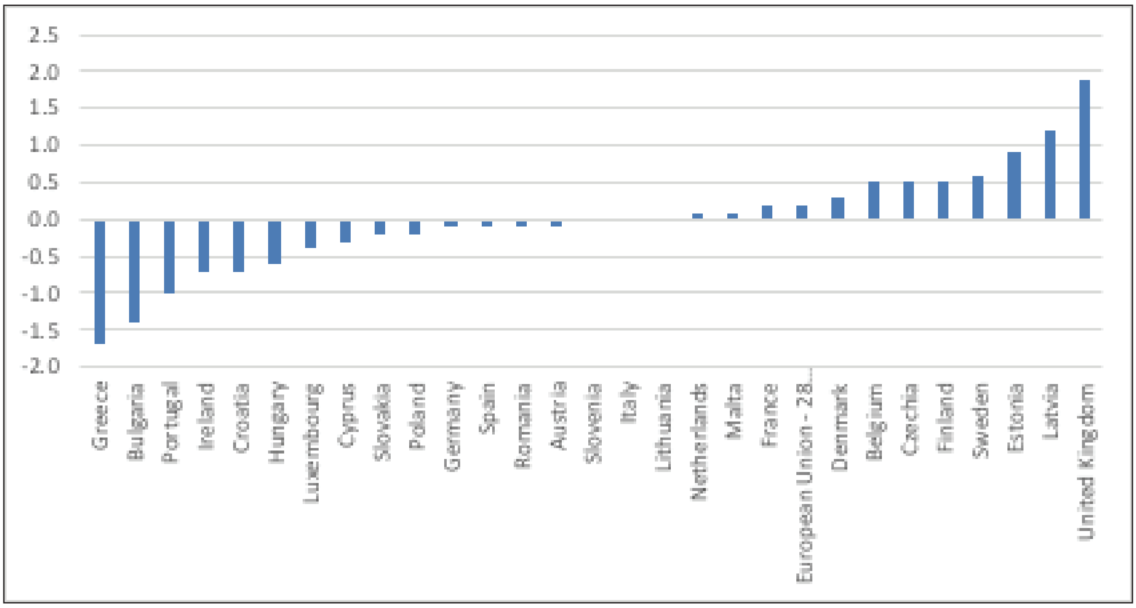
Severely Materially deprived people have living conditions severely constrained by a lack of resources. (See **Glossary** for a list of the resources that are taken into account). As we reported in previous reports in this series, following 2008 some substantial increases occurred in this indicator.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

Figure 3 People at Risk of Poverty (%), EU-28, 2008, 2017 and 2018



Source: Eurostat online database code: t2020_52 **Note:** EU average rate for 2008 relates to EU27 (as this was prior to the accession of Croatia).

Figure 4 Risk of Poverty, EU-28, PP Change in Rate 2017 to 2018



Source: Eurostat online database code: t2020_52

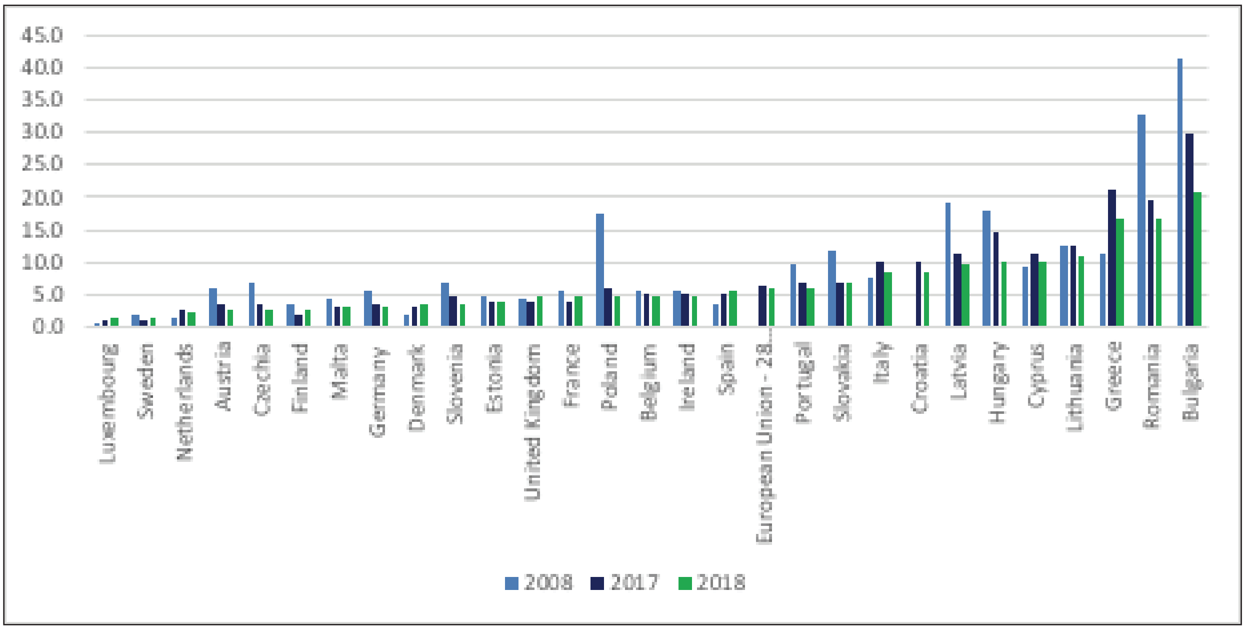
The average EU-28 rate of severe material deprivation was 5.9 per cent in 2018, representing approximately 29.7 million people, but down from a rate of 6.6 per cent in 2017 (and representing over 33 million people). It is a positive development that there have been improvements in this indicator in recent years.

As **Figure 5** shows, there is a good deal of divergence across EU-28 in relation to severe material deprivation, with very high levels in some countries, particularly amongst the newer members of the union, and very low rates in other countries. The rates in 2018 were highest in Bulgaria, Romania and Greece; lowest in Luxembourg, Sweden and Netherlands.

Figure 6 shows that the rate fell in many countries between 2017 and 2018. This is very welcome. However, there was some deterioration in a small number of countries where the rates are traditionally relatively low – Finland, France, UK and Sweden.

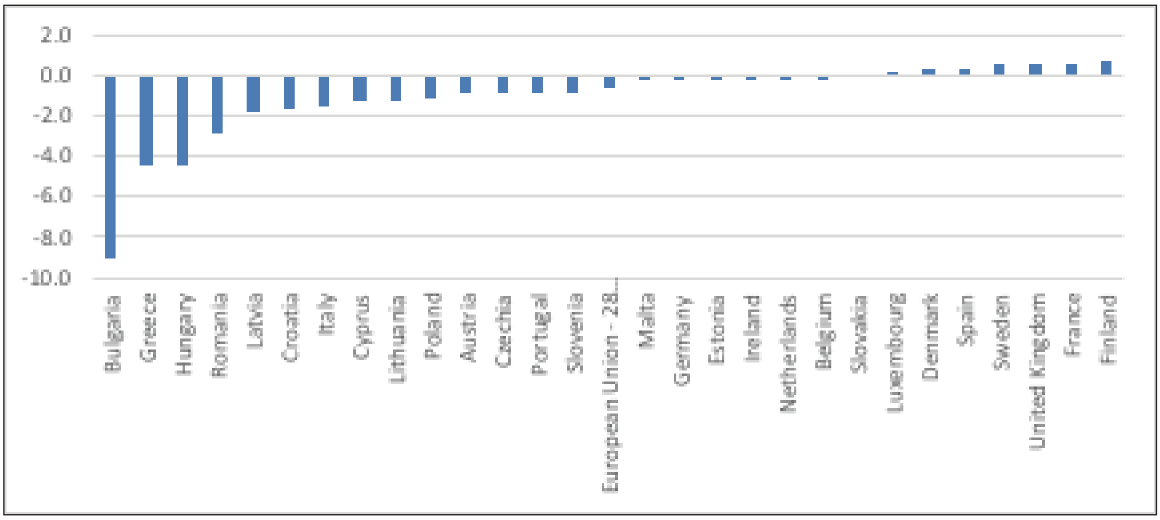
The third and final measure of poverty that we review - called **Very Low Work Intensity** – is used in the Europe 2020 Strategy to measure labour market exclusion. It takes account of those aged 0-59 living in households where the adults (aged 18-59) work less than 20 per cent of their total work potential during the past year. In the previous report in this series we reported on the very significant increases in this measure from 2008, something related to very great increases in unemployment. The 2018 rate was 8.8 per cent (down 9.5 in 2017). The highest rates were found in Greece, Ireland and Belgium (Eurostat code t2020-51).

Figure 5 Severely Materially Deprived Persons, Rate (%), EU-28, 2008, 2017 and 2018



Source: Eurostat online database, code t2020_53. **Note:** EU average rate for 2008 relates to EU27 (as this was prior to the accession of Croatia).

Figure 6 Severe Material Deprivation, PP Change in Rate, 2017 to 2018



Source: Eurostat online database, code t2020_53.

2.2 Poverty and Social Exclusion and other Indicators – Specific Groups

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

Children - Children were strongly affected by the economic crisis and the rate of poverty or social exclusion they experience continues to be higher than for the general population. Thus, when we look at the position of children (under 18), those who are considered to be **at risk of poverty or social exclusion** numbered nearly 23 million in 2018 or 24.3 per cent (EU-28 average) (Eurostat online database, code ilc_peps01). The 2018 rate was only marginally better than the 2017 average rate (24.9 per cent). The 2016 average rate (26.4 per cent, EU-28) had been similar to what it had been in 2008, before the crisis (26.5 per cent, 2008 rate, EU-27). Thus, while little improvement occurred in the situation of children for many years, there has been some welcome improvement more recently, but still large numbers of children remain affected.

There is great divergence in the rates across the EU. The highest rates are in Romania, Bulgaria, Greece, Italy, the UK and Spain (2018). The lowest rates are in Slovenia, Czechia, Denmark, Netherlands and Finland. See **Figure 7**.

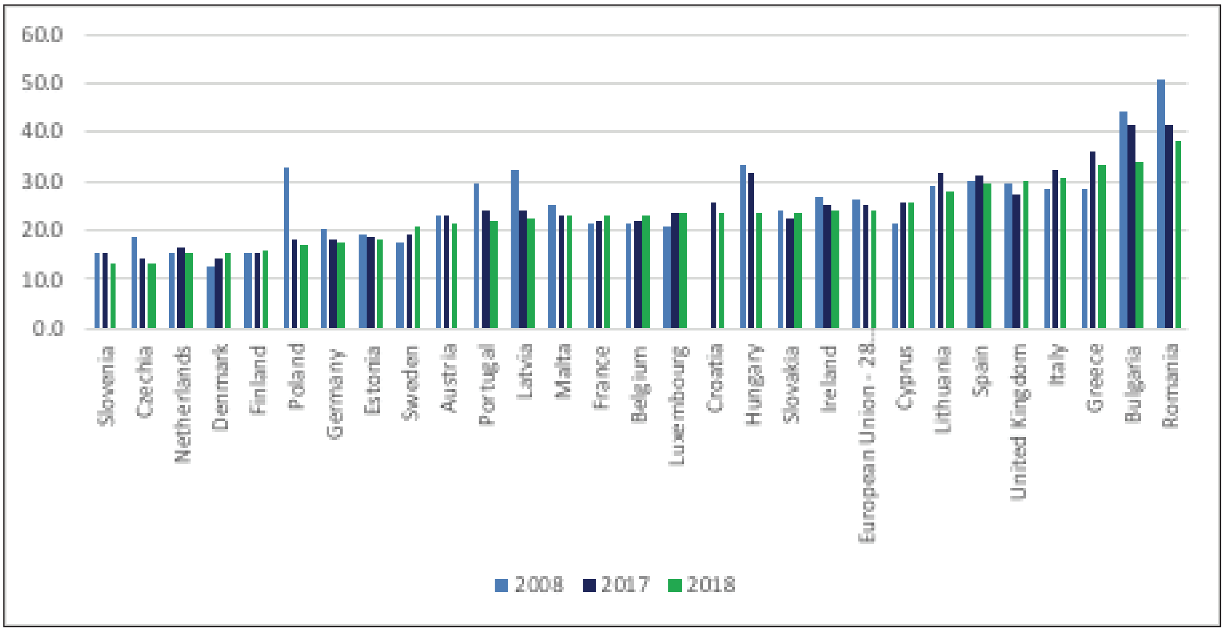
Despite improvements in recent years, in some countries the percentage of children affected is very high indeed at over 30 per cent in Romania, Bulgaria, Greece and Italy followed by the UK (29.9 percent) and Spain (29 per cent). The fact that such very high numbers of children continue year on year to experience poverty or social exclusion is a major concern and has long-term consequences for the people and families concerned as well as for the EU as a whole.

Figure 8 shows the percentage point changes in the rates of member states between 2017 and 2018. The greatest disimprovements occurred in the UK (with a notable increase of 2.5 percentage points), Slovakia, Sweden, and Belgium. The country showing the greatest improvement was Bulgaria (which traditionally has a relatively high rate).

Taking the second indicator, children who are **at risk of poverty** (a measure of income poverty)**,** they numbered almost 19.2 million and the rate was 20.3 per cent (similar to the 2017 rate, 20.2 per cent) (Eurostat online database, code ilc_li02). This means that around one fifth of Europe's children are still living in situations of income poverty (that is, below the 60 per cent threshold of median income in their countries).

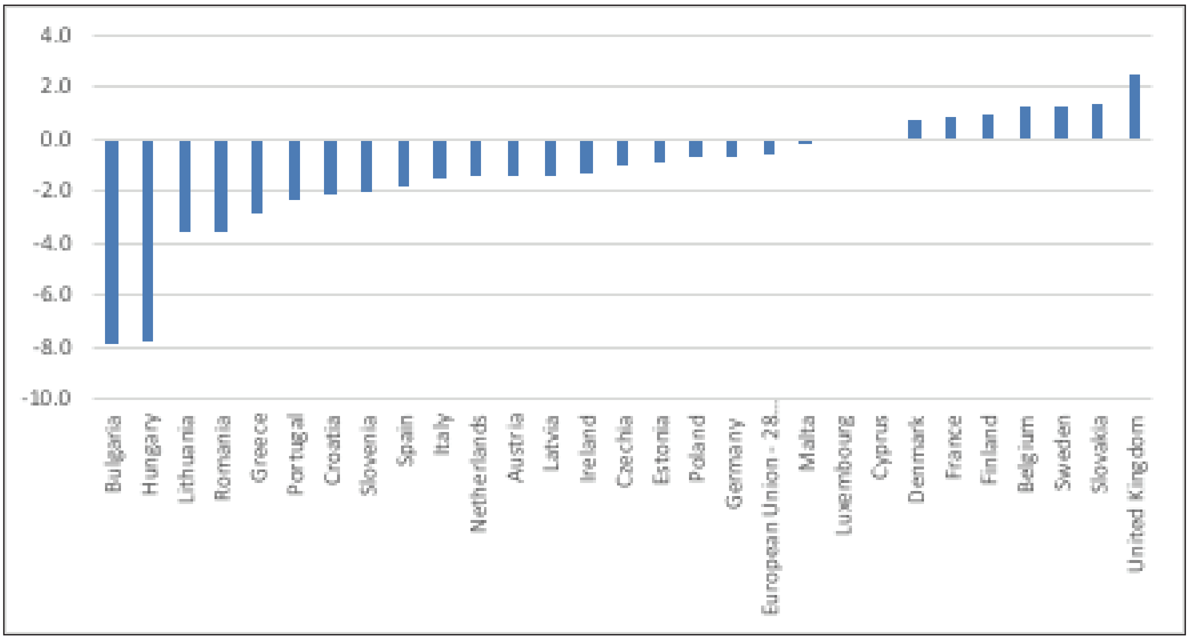
As **Figure 9** shows, in 2018, the rates were highest in Romania (32 per cent), Spain (26.8 per cent), Bulgaria (26.6 per cent) and Italy (26.2 per cent) followed by the U.K and Lithuania. Rates were lowest in Czechia, Denmark, Finland and Slovenia (all at around 11 per cent), Again, there are large divergences between countries. The greatest improvements in risk of poverty amongst children occurred (2017-2018) in Bulgaria, followed by Greece and Lithuania. The greatest disimprovements occurred in the UK, Belgium and Denmark.

Figure 7 Children (u 18): Poverty or Social Exclusion Rate (%), EU28, 2008, 2017 and 2018



Source: Eurostat Online Database ilc_peps01. **Note**: EU average rate for 2008 relates to EU27 (as this was prior to the accession of Croatia).

Figure 8 Children: Risk of Poverty or Social Exclusion, PP Change in Rate 2017 to 2018



Source: Eurostat Online Database ilc_peps01.

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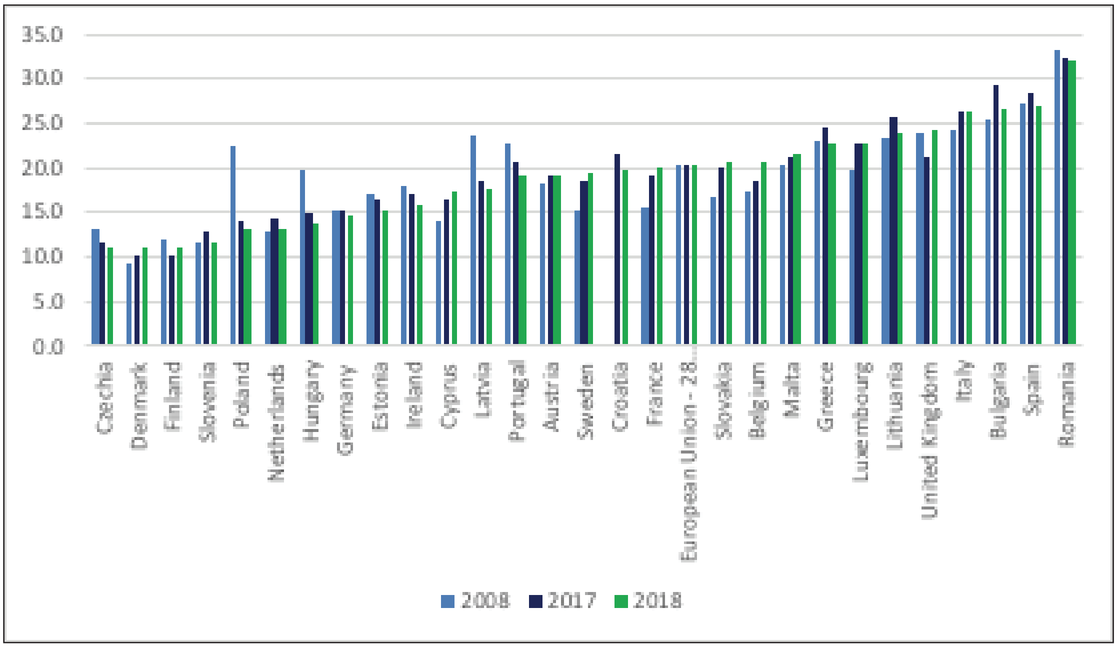
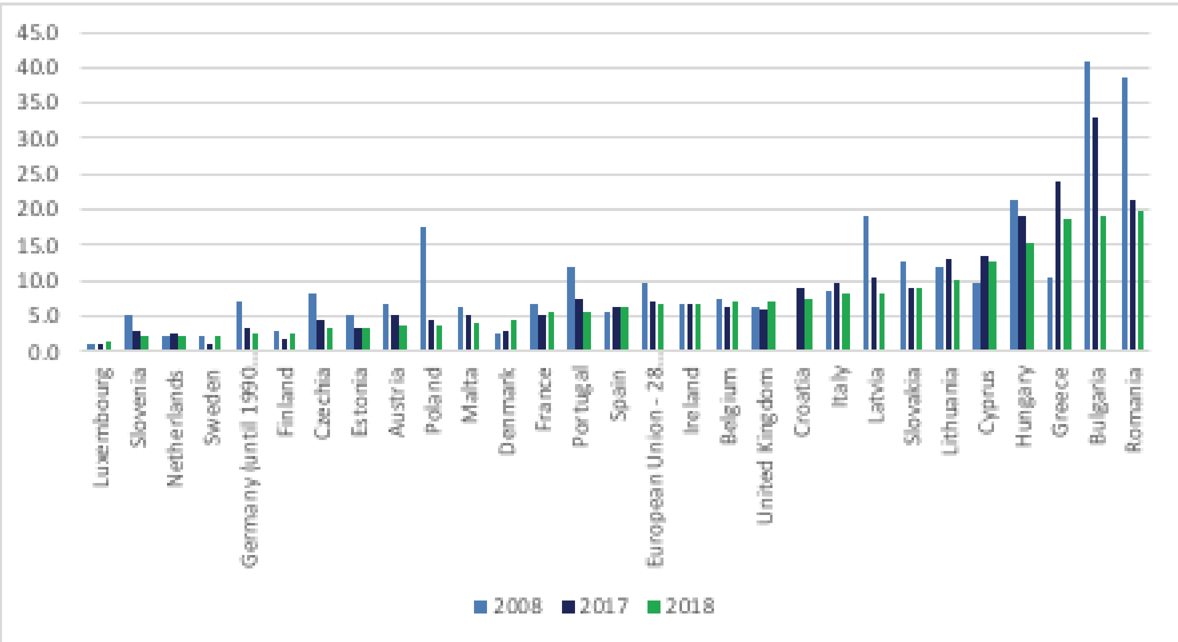
Figure 9 Children (u 18): Risk of Poverty Rate (%), 2008, 2017 and 2018



Source: Eurostat online database, code ilc_li02. **Note:** EU average rate for 2008 relates to EU27 (as this was prior to the accession of Croatia).

Figure 10 Children (u18): Severe Material Deprivation Rate (%) 2008, 2017 and 2018



Source: Eurostat online database, code ilc_mddd11. **Note**: EU average rate for 2008 relates to EU27 (as this was prior to the accession of Croatia).

As the European Commission (2019a) notes, the proportion of children at-risk-of poverty varies considerably across the EU, as does the impact of social transfers on poverty reduction. The strongest poverty reduction impacts of social transfers registered in countries with low or medium levels of child poverty (Finland, Hungary, Denmark, Ireland, UK, Poland, Germany, Austria and Slovenia) (European Commission 2019a).

As we discussed in the previous report in this series, childhood **severe material deprivation** (experiencing a severe lack of resources) worsened in most member states following 2008. By 2018, the average rate was 6.6 per cent (representing almost 6.2 million children). However, it had been reducing since 2012 (when it was 11.8 per cent, and then representing over 11 million children) (Eurostat online database, code ilc_mddd11). The newer accession countries and some southern European countries tend to have the highest rates. In 2018 Romania (19.7 per cent) had the highest rate – although there have been significant reductions in the rate in recent years. Romania was followed by Greece (18.6 per cent) and Hungary (15.2 per cent). While the rates in some countries (notably, Bulgaria and Romania) are considerably lower than in 2008, there remains a very striking increase in the rate in other countries such as Greece and Cyprus (that is, as compared to 2008).

By contrast, this indicator conveys a very different picture for many other countries. For example, very low rates are in evidence in Luxembourg, Slovenia, Netherlands, Sweden, Germany and Finland (all with rates below 3 per cent). See **Figure 10**.

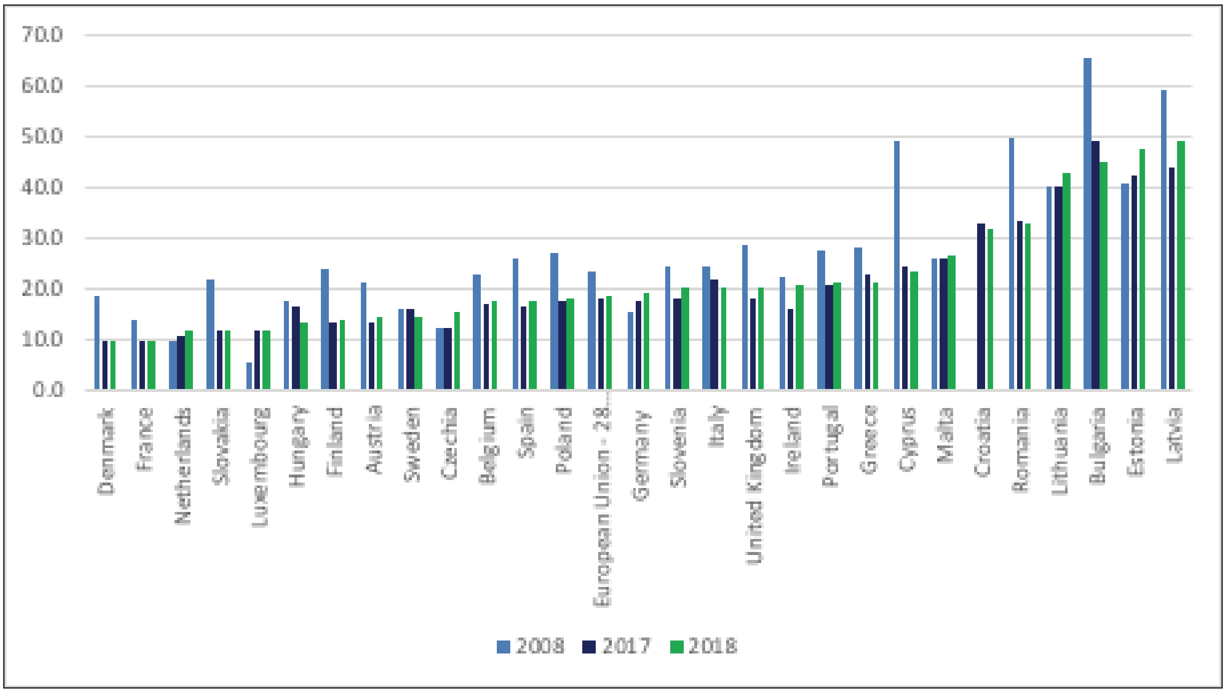
Focusing on changes between 2017 and 2018, the rate has decreased in a majority of member states. By far the greatest improvement has occurred in Romania (-14 percentage points) followed by Greece (-5.2 percentage points) and Hungary (-4 percentage points). But the rate increased in some countries, notably Sweden, UK and Denmark (all of whom registered increases on more than 1 percentage points).

Improvements in the indicators discussed relative to children are welcome. However, it is also of concern to see some disimprovements in recent years in some countries. Overall, it is clear that the dangers of ongoing high levels of child poverty, social exclusion and deprivation are very serious. Poverty tends to persist over time and be transmitted across generations, which means that children born into poverty bear a higher risk of poverty in adult life than the average population (Eurostat 2019a). For example, the European Commission (2018c) notes that almost 70 per cent of adults with a low ability to make ends meet grew up in a household in the same situation (2011 data). Moreover, it is true that the risk of poverty or social exclusion particularly affects families where parents could not benefit from an extensive education. For example, between 2010 and 2016 the increase in the risk of poverty or social exclusion was particularly high for children of parents with the lowest educational attainment, while the increase was minimal for other children. Thus, education, which is a strong determinant of poverty or social exclusion for adults, also strongly influences whether children are at risk of poverty or social exclusion (European Commission 2018c; Eurostat 2019a).

The European Pillar of Social Rights recognises the importance of protecting children from poverty and states that "children from disadvantaged backgrounds have the right to specific measures to enhance equal opportunities" (Principle 11). A dynamic perspective on poverty (that is, experience of poverty over time) underlines the key role of proactive policy measures, like social investment, or preventative social protection and services, whose results are only visible in the long run and are often not prioritised (Vaalavuo 2015). A survey of social justice across Europe concludes that the northern European countries, in particular, offer a positive example of how child poverty can be quite effectively fought if socially disadvantaged groups receive targeted support through a functioning tax-and-transfer system; that study also points to the need to work towards a more sustainable remedy through achieving greater equality in the education system and the labour market (Schraad-Tischler *et al.* 2017).

The EU's Social Protection Committee (2018) notes that access to affordable quality early childhood education and care, along with well-designed work-life balance policies, is key to improve children's life prospects, while at the same time supporting the labour market participation of their parents, notably mothers. 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 2015).

Figure 11 Older People: Poverty or Social Exclusion Rate (%), EU-28, 2008, 2017 and 2018



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

Older People – When we consider the position of older people (usually taken to mean those over 65), and again using the most commonly used poverty indicators, the European average rate for **poverty or social exclusion** was 18.6 per cent in 2018 (representing 18.3 million people). This was only a slight increase on the 2017 rate (18.2 per cent) but it represents a relatively large increase in the numbers affected (+766,000 people approximately). The rate was higher for those aged 75+ (20 per cent) and that rate too had increased within the year (Eurostat online database, code ilc-peps01). This issue is significant for policy-makers (as well as for the individuals concerned) given that populations are ageing at an unprecedented rate.

Poverty or social exclusion affects nearly twice as many women as men in older age. For those aged 65+, the rate for women was 20.9 per cent (representing 11.4 million people), whereas for men it was 15.7 per cent (representing 6.8 million people) (2018). The rate for women aged 75+ is even higher at 23.1 per cent (6.1 million people), whereas that for men aged 75+ is 15.8 per cent (or just under 3 million people). Of relevance here is the fact that the pension gap between men and women remains large and is likely to persist, and that people who are in non-standard work or are self-employment often face less favourable conditions for accessing and accruing pension rights (EU Social Protection Committee 2018). The growth of precarious work situations, which we deal with later in this report, makes this an issue of increasing concern.

There is great variation in the poverty or social exclusion rates of older people across Europe. See **Figure 11**. The newer accession countries tend to have higher rates. These include Latvia, Estonia, Bulgaria and Lithuania (all with rates over 40 per cent) and also Romania and Croatia (both over 30 per cent) (2018). The lowest rates in 2018 were found in Denmark, France (both with a rate below 10 per cent), Netherlands and Slovakia (both with rates under 12 per cent). Between 2017 and 2018, the largest increases in this rate occurred in Estonia (+5.4 percentage points), Latvia (+5.1 percentage points), Ireland (+4.7 percentage points) and Czechia (+3 percentage points). Bulgaria and Hungary had the greatest decreases (of more than 3 percentage points).

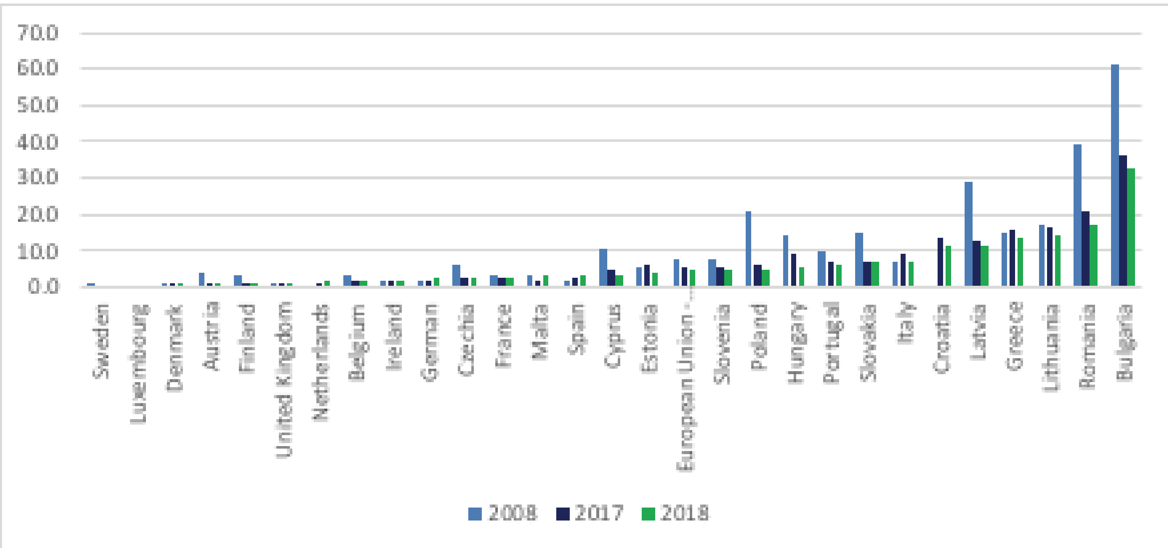
When we look at the **at risk of poverty rate** (that is, a measure of income poverty using the 60 per cent of median income level), the 2018 average rate for those aged 65+ was 15.9 per cent or almost 15.7 million people (EU-28). This is up from a rate of 15 per cent affecting some 14.5 million people in 2017 (Eurostat ilc_li02). In fact, this rate has been increasing from 2013 (when it had been 13.7 per cent affecting 12.3 million people) (Eurostat ilc_li02). Thus, approximately 3.3 million more older people are experiencing income poverty in Europe in 2018 than in 2013.

The highest rates (65+) occurred in 2018 in some of the newer accession countries of Estonia (46.3 per cent), Latvia (45.7 per cent), Lithuania and Bulgaria. The lowest rates were seen in Slovakia (6.4 per cent), France, Denmark and Hungary (each under 10 per cent) (Eurostat online database ilc_li02). Again, as we discussed above (relative to the poverty or social exclusion measure), there is a significant gender difference between men and women at older ages, with risk of poverty affecting far more women (9.8 million women) than men (5.8 million) (2018).

The average **severe material deprivation** rate for this age group was 4.7 per cent representing approximately 4.6 million people aged 65+ (EU-28) in 2018 (Eurostat online database, code ilc_mddd11). Fortunately, the rate was down on the 2017 rate (of 5.3 per cent) and the numbers affected had also decreased (from around 5.1 million in 2017 to 4.6 million in 2018). Again, the rate is higher for older women than older men and many more women are affected.

There is great variation in the levels of this form of deprivation across Europe, with approximately 32 percentage points difference between the country with the highest rate, Bulgaria (32.7 per cent), and those with the lowest, Sweden, Luxembourg, Denmark and Austria (in these four countries it represents less than 1 per cent). See **Figure 12**. Again some of the newer accession states tend to have the highest rates such as Bulgaria (32.7 per cent), especially, and also Romania (17.4 per cent) and Lithuania (14.2 per cent). The rate is also high in Greece (13.6 per cent) thought there has been a welcome decrease (from 15.8 per cent) between 2017 and 2018. Prior to that, the rate had increased each year in Greece since 2009 (when it had been 12.1 per cent) – and it is notable that this was in contrast to some newer accession countries where it has fallen consistently since 2008. This illustrates how the situation of some groups in Europe (in this case, Greek older people) could worsen at a time when the overall position of the EU economy was improving.

Figure 12 Older People: Severe Material Deprivation Rate (%), 2008, 2017 and 2018



Source: Eurostat online database, code ilc_mddd11. **Note**: EU average rate for 2008 relates to EU27 (as this was prior to the accession of Croatia).

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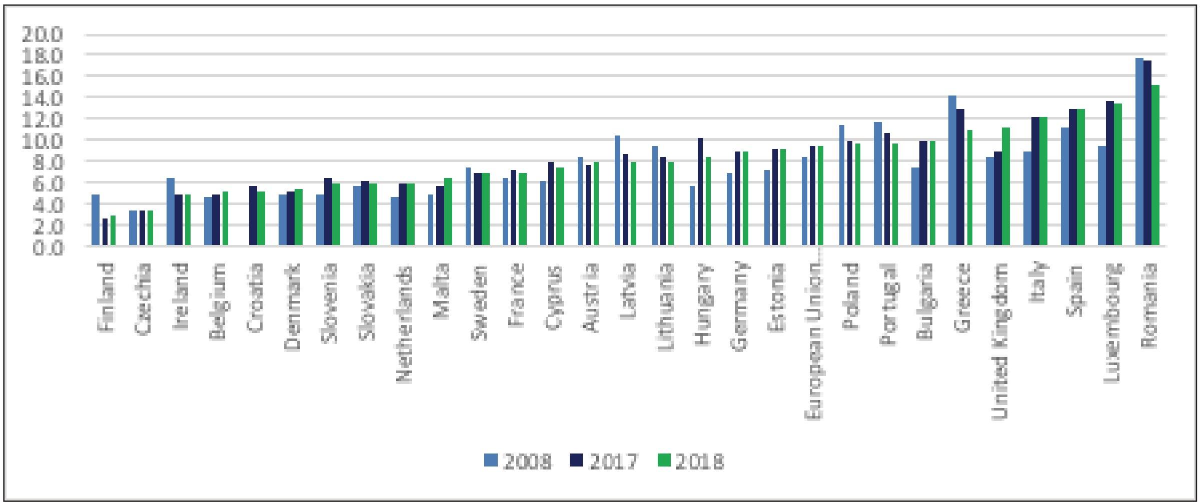
Figure 13 In-Work Risk of Poverty Rate, EU-28, 2008, 2017 and 2018



Source: Eurostat Online database, code ilc_iw01. Employed people aged 18+. **Note**: EU average rate for 2008 relates to EU27 (as this was prior to the accession of Croatia).

Overall, while this indicator shows welcome improvements, increases in the average rate occurred in several member states between 2017 and 2018, most notably in Spain where there was an increase of 1 percentage point in the year. Malta showed the next biggest increase (+0.8 per cent). This is a trend to watch given that disimprovements are happening at all at a time of population ageing as well as growth and recovery in Europe.

Working Poor – The final group that we examine in this section is the working poor. The in-work at-risk-of-poverty rate refers to the percentage of persons in the total population who are at work (employed or self-employed) but at risk of poverty - again, based on the relative income level - below the risk-of-poverty threshold, at 60 per cent of the national median equivalised disposable income (after social transfers).

In 2018, 9.5 per cent of employed people (aged 18+) were living under the poverty threshold (EU-28) and it has been at similar levels since 2014 (Eurostat Online database, code ilc_iw01). The average rate has increased since 2008, when it had been 8.6 per cent.

The highest rates in 2018 occurred in Romania (15.3 per cent), Luxembourg (13.5 per cent), Spain (12.9 per cent) and Italy (12.2 per cent). The lowest rates occurred in Finland (3.1 per cent) and Czechia (3.4 per cent). See **Figure 13**.

This means that about 10 per cent of employed people in the EU live in poverty on an ongoing basis and, obviously, that getting people into work is not always sufficient to lift them out of poverty. The EU Social Protection Committee (2018) argues that income from employment often needs to be complemented by adequate benefits and notes that the working poor represent around a third of working-age adults who are at-risk-of-poverty. They amounted to an alarming 20.5 million people (in 2017) (Pena-Casas et al 2019). A report from the European Social Policy Network (Pena-Casas et al. 2019) suggests that in certain categories of the population (including younger people, people with lower education levels, and non-standard workers, poor households with children including lone parents) in-work poverty is significantly higher and has in some cases been increasing significantly in recent years. Many factors can contribute, but Eurofound (2017a) links non-standard forms of employment in many countries to the expansion in the proportion of those at risk of in-work poverty.

While governments typically combine measures such as minimum income, minimum wage, income replacement or supplement, active labour market policies, tackling labour market segmentation, family and in-work benefits that directly influence in-work poverty, addressing it is often not a stated policy goal (Pena-Casas et al 2019). Moreover, a number of other policies and measures (such as childcare, housing and healthcare) which may only have an indirect impact on in-work poverty are equally important to address this complex issue (Pena-Casas et al 2019).

The European Commission (2019a) cites evidence suggesting that higher trade union density is associated with lower in-work poverty rates. Limited policy attention is paid to this group (there is not, for example, a specific focus on them in the Europe 2020 strategy). There is a clear need for a specific policy focus on this group and better documenting their social situation.

2.3 Income Inequality

Inequality is about exclusion; exclusion from participating up to one's capabilities in the economic, social and political life of the community. It is widely agreed that economic prosperity alone will not achieve social progress and that high inequality levels leave much human potential unrealised as well risking damage to social cohesion and economic activity and undermining democratic participation (Eurostat 2019a). One Sustainable Development Goal aims to reduce inequalities (SDG 10) focusing on inequality within and between countries.

In OECD countries (broader than Europe), the richest 10 per cent earn incomes 9.6 times that of the poorest 10 per cent (OECD 2015c). Wealth is even more concentrated than income – the top 10 per cent of wealthiest households hold almost half of total wealth, the next 50 per cent hold almost the other half, while the 40 per cent least wealthy own little over 3 per cent (OECD 2015c). These are very striking inequalities. The IMF's Christine Lagarde (Lagarde 2018) suggests that, at first glance, inequality does not seem to be as big a threat in Europe as elsewhere, thanks to strong social safety nets and redistribution, which she characterises as important achievements that have helped millions of people and strengthened Europe's position compared to many other advanced economies. She also highlights that Europe's youth may be falling behind now for a range of reasons.

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

One measure of income inequality is the **GINI coefficient**, an index ranging from 0 to 100 where 0 represents a perfectly equal distribution of income and 100 represents a perfectly unequal distribution. See **Glossary.** The higher the GINI coefficient, the greater the income inequality. According to the GINI coefficient indicator, there was a very slight decrease between 2017 and 2018 in average levels (as there had also been between 2016 and 2017) within EU-28 (Eurostat ilc_di12). The 2018 ratio was 30.9 (it had been 30.6 in 2017). The countries with the greatest income inequality (according to the GINI coefficient) in 2018 were Bulgaria, Lithuania, Latvia, Romania and the UK. Those with the lowest included Slovakia, Slovenia, Czechia, Belgium and Finland. Luxembourg (+2.3 percentage points) followed by Romania and Germany (both with +2 percentage points) were the countries showing the greatest increases between 2017 and 2018.

Another measure of income inequality is the **income quintile share ratio** or the **S80/S20 ratio,** which is a measure of the inequality of income distribution. It is calculated as the ratio of total income received by the 20 per cent of the population with the highest income (the top quintile) to that received by the 20 per cent of the population with the lowest income (the bottom quintile). The average European S80/20 ratio increased in recent years but only slightly and overall has remained relatively stable. The average was 5.0 in 2008 (EU-27), rising to 5.08 in 2017 and 5.17 in 2018 (EU-28)). See **Figure 14**.

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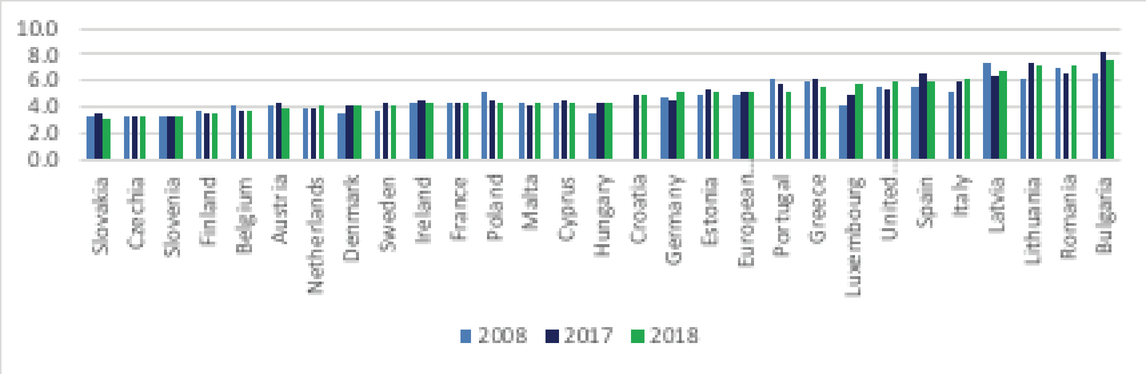
Figure 14 Income Inequality EU-28, S80/S20, 2008, 2017 and 2018



Source: Eurostat online database, code ilc_di11 **Note**: Rate unavailable for Croatia for 2008; the EU rate for 2008 relates to EU-27.

However, there are substantial differences between countries. In 2018, while in some countries (notably Nordic, some Central European countries and some peripheral countries), the rich earned around four times as much as the poor or less, in Bulgaria Romania and Lithuania the value was above 7. Between 2017 and 2018, the greatest increases in the ratio occurred in Luxembourg, Romania, Germany and the UK.

The results of analysis using the GINI coefficient and using this indicator (S80/20) show that both indicators suggest a somewhat similar list of countries that can be considered most unequal. Income inequality would have been greater in all countries if social transfers had not been included (European Commission 2017). Social transfers reduced income inequality by less than 7 per cent in Bulgaria, Cyprus, Estonia Greece, Italy, Latvia, Poland and Romania but by more than 25 per cent in Belgium, Denmark, Finland and Ireland (in the period 2012-2015) (European Commission 2017).

2.4 Disposable Income and Financial Distress

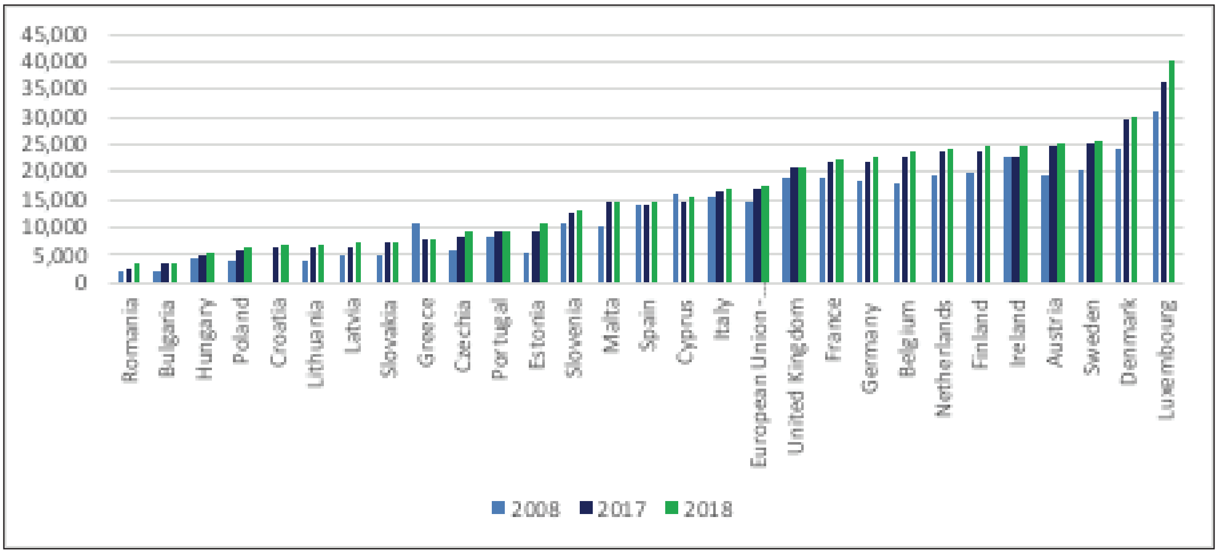
To assess how disposable incomes compare across Europe and the changes over time, we look at **disposable median net income**. Disposable net income is the total gross disposable income[6] minus social security contributions and income taxes payable by employees (Eurostat n.d.). This means it represents 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. The **Glossary** contains a definition of Household Disposable income and explains the Eurostat approach to equivalisation in more detail, which is used here to facilitate comparison across countries. National statistical agencies may take different approaches to equivalisatio[7].

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

6 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.

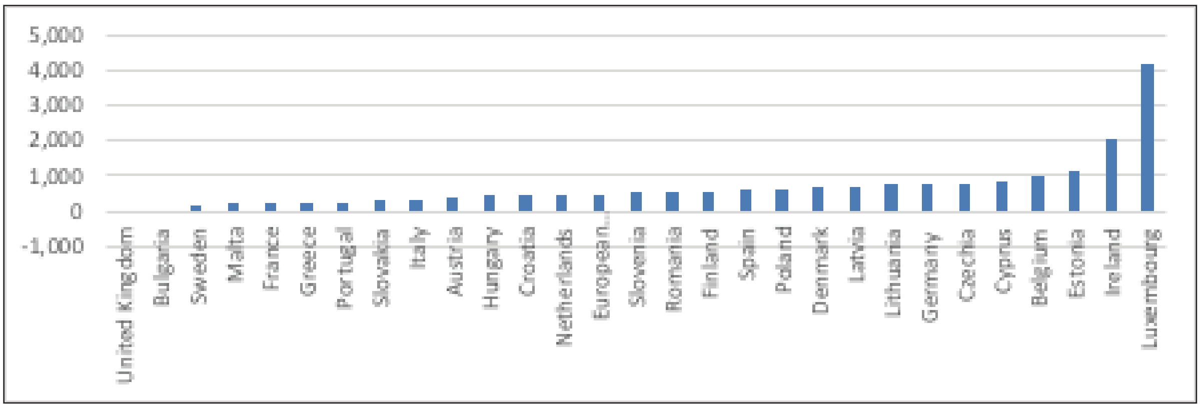
7 Equivalence scales are used to calculate the equivalised household size in a household. For example, the equivalence scale used in Ireland attributes a weight of 1 to the first adult, 0.66 to each subsequent adult (aged 14+) living in the household and 0.33 to each child aged less than 14. The weights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

Figure 15 Median Disposable Annual Income (€): EU28, 2008, 2017 and 2018



Source: Eurostat online database ilc_di03 (source: SILC) **Note**: Rate unavailable for Croatia for 2008; the EU rate for 2008 relates to EU-27.

Figure 16 Change in Median Disposable Income (€), EU, 2017 to 2018

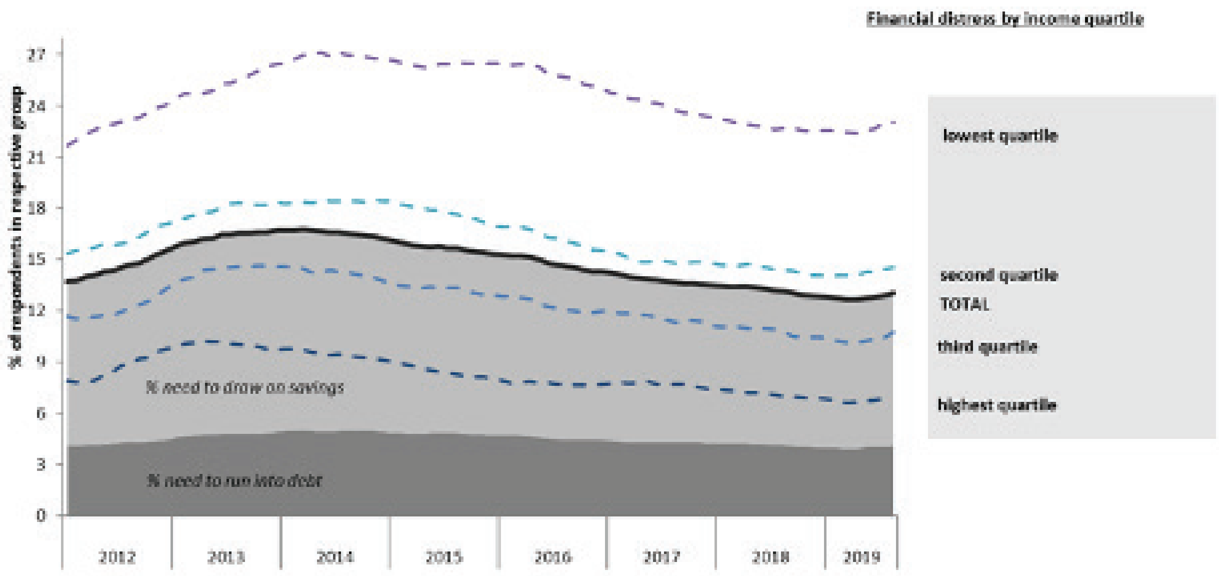


Source: Eurostat online database ilc_di03 (source: SILC).

See **Figure 15,** which shows that in 2018 the highest levels of disposable income occurred in Luxembourg, Denmark, Sweden, Austria, Ireland, Finland and Netherlands, the lowest in Romania, Bulgaria, Hungary and other newer accession members. There is also great variation in the levels between the highest countries and the lowest. For example, the 2018 figures in the top two countries, Luxembourg and Denmark, were just over €40,000 and €30,000, respectively; those in the countries with the lowest levels, Romania and Bulgaria, were both under €4,000. (This means that half of the people of these countries are considered to have disposable incomes above those amounts and half below.)

In previous reports in this series, when we looked at the countries where the greatest changes occurred between 2008 and 2013, we saw that by far the greatest reductions were in Ireland and Greece, while by far the largest increases occurred in Sweden followed by Belgium, Finland, Denmark and Austria. But even by 2018, the median levels for Greece (-€2,937) and Cyprus (€-688) are still lower than they were in 2008 (Eurostat ilc_di03).

Figure 17 Household Financial Distress (%) 2012-2019: Total, and by Income Quartiles



Source: European Commission (2019b Chart 32): European Commission, Business and Consumer Surveys, unadjusted data, 12-months moving average (DG EMPL calculations). **Note:** Horizontal lines show the long-term averages for financial distress for the population as a whole and for households in the four income quartiles. The overall share of adults reporting having to draw on savings and having to run into debt are shown respectively by the light grey and dark grey areas, which together represent total financial distress.

For changes between the latest years (2017 to 2018), see **Figure 16.** The vast majority of countries showed improvement during that period, with the UK being the only country in which a disimprovement (-€4) was observed.

However, nominal changes do not tell the whole story about income changes, as inflation also has a significant influence:: 'real' means that nominal figures are deflated using the consumer price index. Accompanying the improvement in employment, gross disposable household income (GDHI[8]) in the EU registered a 2.3 per cent year-on-year increase in real terms in Q1 of 2019 (European Commission 2019b).

Analysis of income in the EU as a single distribution showed an improvement in the position of lower income groups and convergence among subsets of EU countries from 2007 to 2015. Those at the 10th percentile of the population (that is, the lowest) gained about 4 per cent in real terms, compared to their pre-crisis income. However, this was mostly a result of the rising income of some of the poorest in the newer accession states, while the income of the poorest in the southern member states of the EU deteriorated. When we look at the middle class (defined as the income group between 75- 200 per cent of median national income), more than half (53 per cent) in the EU report a feeling of vulnerability and difficulty in making ends meet financially (European Commission 2019a).

Incomes in cities are usually higher than those in rural areas (most notably in Romania and Bulgaria, where median income in cities is around 90 per cent and 60 per cent higher, respectively), but the likelihood of being in income poverty and severe material deprivation is higher in cities than in rural areas in most western countries of the EU (European Commission 2019a).

8 The real GDHI growth for the EU is an estimation by DG EMPL, with available data from Member States. The nominal GDHI is converted into real GDHI by deflating with the deflator (price index) of household final consumption expenditure. The real GDHI growth for the EU is a weighted average of real GDHI growth in Member States

Financial distress of households (defined as the need to draw on savings or to run into debt to cover current expenditures and based on personal perceptions) is still running at high levels especially for lower-income groups. From its historical peak of nearly 17 per cent recorded in early 2014 it gradually declined to 12.7 per cent of the overall population in May 2019, but it has picked up since then to reach 13.1 per cent in August 2019 (European Commission 2019b). However, compared to the same month in 2018, there are profound differences across Member States and population groups. Reported financial distress has increased most for those on the lowest incomes (lowest quartile) and reached 23.1 per cent, 0.4pp more than in August 2018. By comparison, for the wealthiest quartile financial distress stood at 7.0 per cent and is stable on a yearly basis. Slight increases were recorded for the second and third quartile of the population (0.3pp for both).

See **Figure 17,** where rates are shown for household distress across income quartiles, 2012-2019 (latest figures for August 2019). It shows how the greatest distress is being experienced by the lowest income quartile (or lowest 25 per cent) but also by the second quartile (lowest 50 per cent). In August 2019, it was recorded at 23.1 per cent for the lowest-income quartile and at 14.6 for the second quartile.

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

The review set out in this Section shows how the Europe 2020 target set in 2010 of taking 20 million people out of **risk of poverty or social exclusion** is likely to be missed by a very wide margin. While the risk of poverty or social exclusion rate has improved each year since 2012, the average rate still stands at 21.9 per cent in 2018 (EU-28) (that is, more than one in 5 Europeans) amounting to over 110 million people (Eurostat online database code t2020_50). The picture that emerges in the 2017-2018 period (2018 being the latest year for which Eurostat has published rates as we prepare this report) suggests that despite recent improvements, there is reason for concern about a range of issues and the length of time that high levels of poverty or social exclusion have persisted is unacceptable in human and societal terms. Eurostat (2019a) highlights how some groups face a higher risk of poverty and social exclusion; these include single households, migrants and people with lower education as well as their children.

In 2018, the highest rates of poverty or social exclusion were to be found in Bulgaria, Romania, and Greece where the rates were above 30 per cent. In 4 other countries (Latvia, Lithuania, Italy and Spain) the rate was over 25 per cent. The lowest rates were found in Czechia (12.2 per cent) followed by Slovenia, Slovakia and Finland. A recent analysis from Eurostat indicates that despite the favourable decrease in the overall share of people at risk of poverty or social exclusion, the depth of hardship for those affected has increased slightly (between 2008 and 2017) (Eurostat 2019a).

Even though there have been welcome improvements in the most recent year in some countries with typically high rates, there continues to be great divergence between countries. For example, there was a difference of nearly 20.6 percentage points between the country with the highest rate (Bulgaria at 32.8 per cent) and that with the lowest (Czechia 12.2 per cent) (Eurostat, code: t2020_50). Between 2017 and 2018, disimprovements in the poverty or social exclusion rates were observed in several countries including, notably, the UK (+1.6 percentage points) and also in some countries with traditionally relatively low rates such as Finland and France. The greatest improvements occurred in the newer accession states of Bulgaria, Hungary, Romania, and also in Greece.

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

Looking at the second indicator used in the Europe 2020 Strategy, the **risk of poverty rate**, a measure or relative income poverty, suggests that in 2018, 17.1 per cent of the population (EU-28) was living at risk of poverty (over 86 million people), and that considerably more people were affected in 2018 than in 2008 (in 2008 the rate was 16.6 per cent, affecting 80.9 million people EU-27) (Eurostat online database, code t2020_52). Other indicators showed more improvement - the average EU-28 rate of **severe material deprivation** was 5.9 per cent in 2018, representing approximately 29.7 million people, down from a rate of 6.6 per cent in 2017 (and representing over 33 million people). It is a positive development that there have been improvements in this indicator in recent years.

Children: Like other reports in this series, this report highlights again how ongoing high levels of poverty or social exclusion amongst children is one of the most challenging and serious issues faced by Europe, not least because it can affect the rest of one's life and a tendency to live in poverty can be passed on to future generations.

The rate of poverty or social exclusion that children (under 18s) experience continues to be higher than for the general population and about one quarter of children in Europe are affected. Thus, children who are considered to be **at risk of poverty or social exclusion** numbered nearly 23 million in 2018 or 24.3 per cent (EU-28 average) (Eurostat online database, code ilc_peps01). Levels of severe material deprivation have, fortunately, improved for children in recent years, but there are also some reasons for concern, because the rates still remain at very much higher levels than in 2008 in some countries (notably, Greece and Cyprus). In short, poverty in all its forms still affects far too many children and childhood poverty remains a pressing problem because of its long-lasting effects on society and on the lives of individuals. A range of interventions are necessary to address this situation including access to affordable quality early childhood education and care, along with well-designed work-life balance policies.

Older People: Where older people are concerned (usually taken to mean those over 65), the European average rate for **poverty or social exclusion** was 18.6 per cent in 2018 (representing 18.3m people). This was a slight increase on the 2017 rate (18.2 per cent) but it represents a relatively large increase in numbers (+766,000 people approximately). The rate was higher for those aged 75+ (20 per cent) and that rate too had increased in the year (Eurostat online database, code ilc-peps01). Poverty or social exclusion affects nearly twice as many women as men in older age.

The **risk of poverty rate** for those aged 65+ was 15.9 per cent affecting almost 15.7 million people (EU-28), up from a rate of 15 per cent affecting some 14.5 million people in 2017 (Eurostat ilc_li02). The average **severe material deprivation** rate for this age group showed improvement during the year 2017-2018 – falling to 4.7 per cent (representing approximately 4.6 million people aged 65+, EU-28) (Eurostat online database, code ilc_mddd11). This is an encouraging sign. However, many more older women than older men are affected by all aspects of poverty. These issues are significant for policy-makers (as well as for the individuals concerned) given that populations are ageing at an unprecedented rate and that there are many more older women than older men and they tend to have poorer pension provision (see EU Social Protection Committee 2018).

The situation of older people varies greatly as between countries, with very high levels of income poverty and material deprivation especially in newer accession countries and also in some Mediterranean countries.

Working Poor: In 2018, 9.5 per cent of employed people (aged 18+) were living under the poverty threshold (EU-28) and the average rate (that is, the in-work poverty rate) has been at similar levels since 2014 and is still higher than it was in 2008 (Eurostat Online database, code ilc_iw01). Thus, in 2018 almost 10 per cent of employed people in the EU live in poverty. They amounted to an alarming 20.5 million people (in 2017) (Pena-Casas et al 2019). Some groups are particularly affected (including younger people, people with lower education levels, and non-standard workers, poor households with children including lone parents). Limited policy attention is paid to this group.

When **income inequality** is examined there are concerns overall about increases over time. There are substantial differences between countries in Europe. In 2018, while in some countries (notably Nordic, some central European countries and some peripheral countries), the rich earned around four times as much as the poor or less, in other countries, notably, Bulgaria Romania and Lithuania, the value was above 7.

When we examine **median disposable income**, the highest levels occur in Scandinavian, central and western European countries, the lowest in other newer accession members and there are very great variations in the levels. While, within the past year (2017-2018), median disposable income has increased in almost all Member States, levels for, especially, Greece and also Cyprus were still lower than they had been in 2008 (Eurostat ilc_di03).

Financial distress (defined as the need to draw on savings or to run into debt to cover current expenditures) has gradually declined since 2014. However, the greatest distress is being experienced by the lowest income quartile (or lowest 25 per cent) and also by the second quartile (lowest 50 per cent). In August 2019, it was recorded at 23.1 per cent for the lowest-income quartile and at 14.6 for the second quartile.

Overall, while there have been some improvements in the latest years (2017-2018) in several indicators and for key groups, Europe is still far off-track in relation to meeting its poverty reduction targets. The social indicators suggest little improvement for very many people living in Europe, with dis-improvements for some groups in several countries. These include older people in some countries, an issue that particularly affects older women. Those working who still live in poverty is another group to be concerned about and this issue now affects a greater proportion of people than it did in 2008. The position of children, in particular, while improved somewhat continues to be strikingly negative for very many children with potentially very serious long-term consequences. Thus, a rising tide has yet to lift all boats.

Chapter 3

3 Employment and Unemployment

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

3.1 Employment

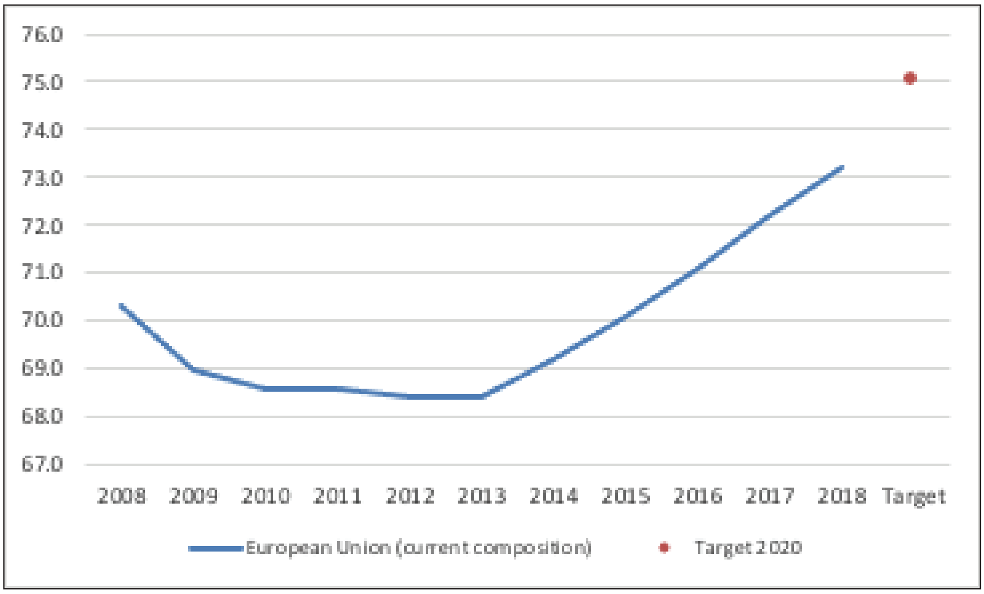
The Europe 2020 strategy set a headline target that 75 per cent of 20-64 year-olds would be employed by 2020. Following the 2008 crisis there were drastic job losses in Europe as a whole. There have been very significant improvements since 2013 as shown by **Figure 18**. In 2018 the average EU employment rate was 73.2 per cent (up from 72.2 in 2017). Since its lowest point (in the first quarter of 2013), employment in the EU has been growing and has increased by 17.3 million people (European Commission 2019b).

The employment rate reached 73.8 per cent (for 20-64 year-olds) in the first quarter of 2019 (European Commission 2019b). In the second quarter of 2019, employment in the EU reached a new record level with 241.4 million people in employment (European Commission 2019b). These are very welcome developments. However, as, Marianne Thyssen, EU Commissioner for Employment, Social Affairs, Skills and Labour Mobility, has commented, a focus is needed on delivering the European Pillar of Social Right to ensure that these positive developments continue to reach all citizens in Europe. (European Commission 2019b). According to the EU Commission, while still improving, the employment rate has not increased at the anticipated rate and may not attain the target of 75 per cent by 2020 (European Commission 2019a;2019b).

As **Figure 19** shows, there are significant variations in the employment rates in different countries. In many Member States, employment rates have still some way to go to recover from the crisis. As was the case in 2017, Sweden continues to have the highest rate (82.6 per cent in 2018), while Greece continues to have lowest (59.5 per cent in 2018), a 23 percentage point difference between the two countries. Countries, especially in central and northern Europe, have exceeded the Europe 2020 strategy target of 75 per cent. Fourteen countries (that include Sweden, Germany, Czechia, Estonia, Netherlands, U.K., Denmark, Lithuania and others) have reached or exceeded the target, while other countries, especially in the south and periphery of Europe, are very far away from achieving it (looking at ages 20-64). The lowest employment rates in 2018 were found in Greece, Italy, Croatia and Spain.

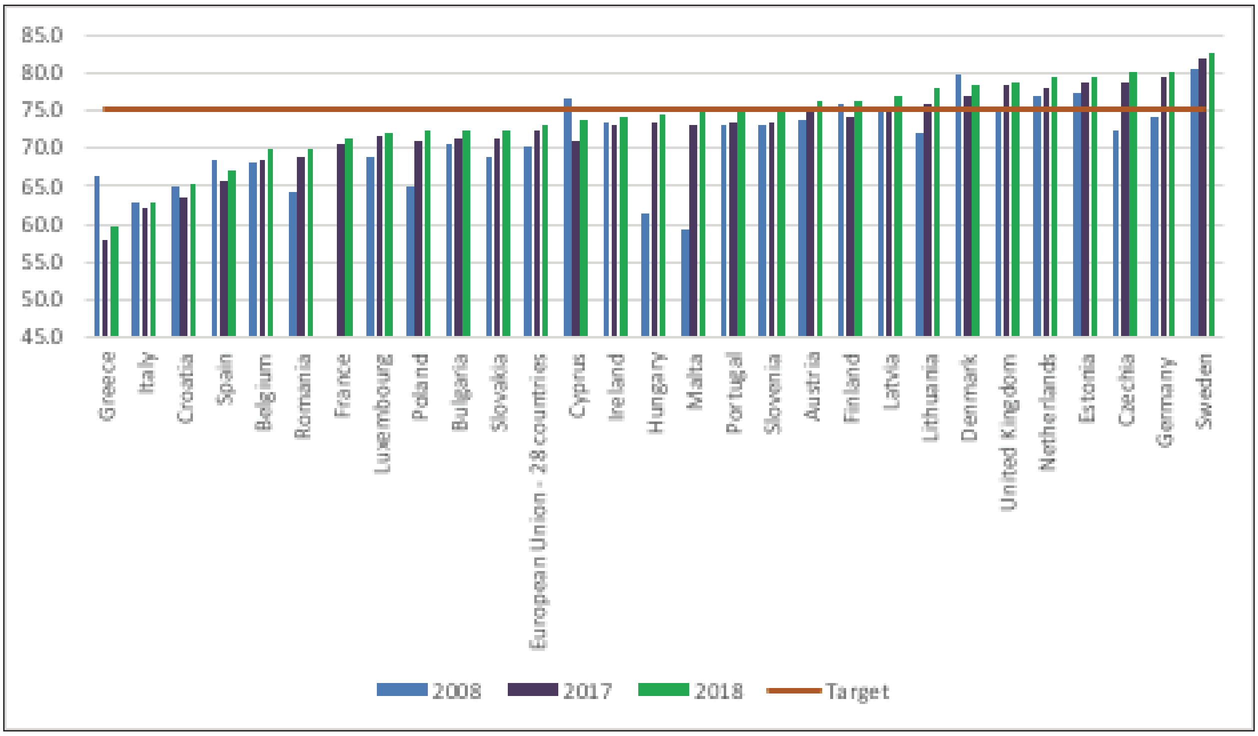
Some countries still have rates of employment that are a good deal lower than in 2008 – this is very notable in Greece (where the 2018 rate is still 6.8 percentage points lower than the 2008 rate) and Cyprus (where the 2018 rate is still 2.6 percentage points lower than the 2008 rate). A 2018 report from Eurofound suggested that Germany and the UK accounted for most of the new jobs (net of jobs lost) created in the EU between 2008 and 2016, while most of the jobs lost in Greece and Spain in that period had not yet been recovered.

Figure 18 Employment in Europe (%), Ages 20-64, EU-28, 2008-2018



Source: Eurostat online database, code t2020_10

Figure 19 Employment (%), ages 20-64, EU-28 Countries, 2008, 2017 and 2018



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

In the first quarter of 2019 full-time employment increased by 2 million people compared with the same quarter of the previous year and part-time employment increased by almost 200 thousand people on a yearly basis after a decline in the second half of 2018 (European Commission 2019b). When we look at population groups, the EU employment rate increased for all population groups in the first quarter of 2019, and notably for people aged 60-64 (1.8 percentage points) (compared with the same quarter of the previous year) (European Commission 2019b). The employment rate also increased for people with all educational levels, especially among the low-skilled (0.8 percentage points). This does not of course mean that there are not also ongoing challenges for these groups including for older workers, which we come back to below.

However, as we noted already, the way that the employment picture is evolving in recent years is of concern – especially regarding growth in temporary, part-time and precarious work and falling or stagnating wages. Constantly changing and erratic working hours have become a common experience for European workers (see Piasna 2019). According to Eurofound (2019a), concern is widespread that involuntary part-time and temporary work is making employment more precarious for people.

For example, in a review of working conditions between 2015 and 2018, Eurofound (2019a) found that the proportion of full-time permanent jobs is slowly diminishing, down from 59.5 per cent of all jobs in 2009 to 58.2 per cent in 2016. One-fifth of the EU labour force works part-time, and three-quarters of these are women (Eurofound 2019a). It is notable that around a quarter of those working part-time want to work full-time (Eurofound 2019a). The reason they most commonly give for working part-time is that they can't find a full-time job. And this group is concentrated in the lower-paid, lower-skilled end of the economy. Over half of involuntary part-timers (57 per cent) work in lower service occupations, such as sales and customer service work. Managers, on the other hand, are much less likely to be working part-time involuntarily.

=Like part-time, temporary employment has been increasing in the EU over decades (although the rate dipped during the crisis as many employers cut costs by not renewing fixed-term contracts). With the recovery, growth in temporary employment resumed, rising from 10.9 per cent of all employment in 2014 to 11.2 per cent in 2018 (among 20–64-year-olds) (Eurofound 2019a). Temporary employees are generally paid less than their permanent counterparts in the same company, and their prospects for career advancement, including opportunities for training, are poorer (Eurofound 2019a). Even their working time arrangements and the flexibility to manage these arrangements are worse and that is not to mention broader impacts that include financial insecurity, lack of access to loans and, as a result, fewer housing options.

Younger people are often employed temporarily - in 2018, 43.5 per cent of employees aged 15 to 24 had a temporary contract; and this situation did not always lead to permanent jobs as only around a quarter of workers with temporary contracts moved to a permanent contract over two consecutive years (in 2017) (Eurofound 2019a).

Little growth in real wages (after 2013 when recovery was first noted) raised doubts about the strength of the recovery in income levels for significant segments of the workforce and for the population at large (Eurofound 2019a). Eurofound's analysis suggests that in 2015 In Denmark, Ireland, France, Italy and Finland wage growth was moderate (1–3.6 per cent), mostly due to larger wage increases among the highest-paid employees than in other pay quintiles. Wages grew most strongly, by 4–12 per cent, in much of eastern Europe and was greatest among the lowest-paid employees (quintile 1), in the Baltic states, Czechia, Poland and Romania. On the other hand, in Bulgaria, especially, and Hungary, wages grew more among the highest-paid employees (quintile 5). Germany makes an interesting case as real wages grew significantly (3.5 per cent), but in its case, wages increased disproportionately among the lowest-paid employees as a result of the introduction of a minimum wage in 2015, a major policy decision aimed at fighting the rising numbers of employees not covered by wage floors and the growth of low-paid work in the country (Eurofound 2019a). Eurofound notes that this beneficial effect of the minimum wage policy seems to have come with no significant impact on employment.

Another issue worth highlighting is that employment growth has not reached all regions equally. Eurofound and the European Commission (2019) conducted a study of nine countries showing that population and employment growth have been much stronger in the capital city regions of all nine than in the other types of regions of the same country. Between 2002 and 2017, employment grew by 19 per cent in capital city regions compared to 10–12 per cent elsewhere.

One conclusion of this report is that interregional inequality is one factor leading to disenchantment with existing political systems and social bonds.

Taking a step back for a moment, despite very welcome improvements in employment in the EU, there are significant challenges ahead that require policy responses. On the positive side, it is interesting that projections of the impacts of a full implementation of the Paris agreement – if that were to happen - show that the transition to a low-carbon economy could raise GDP and employment – amounting to an additional 1.2 million jobs in the EU by 2030, mostly in growing green(ing) sectors, which would be largely due to investment for transition (European Commission 2019a). These impacts, however, would vary a lot between sectors and countries. On the other hand, the EU Social Protection Committee (2018) notes that new forms of employment, and associated gaps in access to social protection and lower incomes, may put a growing number of people at higher risk of poverty and social exclusion, which requires that social protection systems ensure access to adequate protection for all persons in employment, including various types of self-employment and non-standard working.

In its latest employment review the OECD (2019a) poses a range of labour market challenges (in addition to larger trends such as climate change and the slowdown of the global economy):

- **Automation** – 14 per cent of existing jobs could disappear as a result of automation in 15-20 years, and another 32 per cent are likely to change radically.
- **Inequalities** - Many people and communities have been left behind by globalisation and a digital divide persists in access to new technologies resulting in inequalities along age, gender, and socio-economic lines.
- **Precarity** - Many are stuck in precarious working arrangements with little pay and limited or no access to social protection, lifelong learning and collective bargaining.

The OECD suggests that in response, there must be a focus on people and well-being and they argue for a focus on lifelong learning (or adult learning), on reshaping social protection provisions to ensure better coverage of workers in non-standard forms of employment (OECD 2019a). They also argue for a greater focus on collective bargaining and social dialogue, both of which can complement government efforts to make labour markets more adaptable, secure and inclusive.

3.2 Unemployment

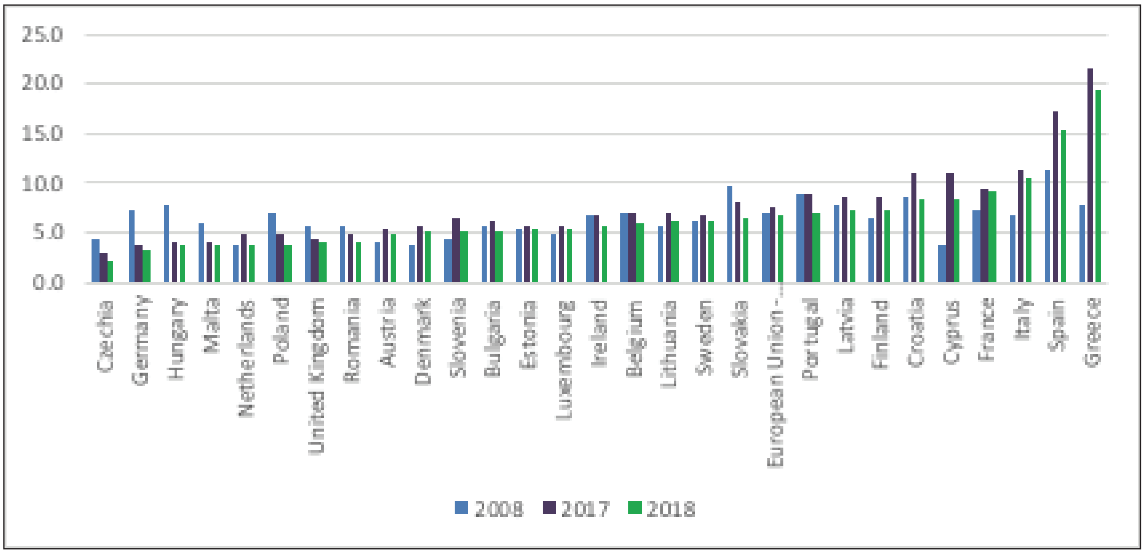
Previous reports in this series detail the rise in unemployment following the 2008 crisis. The total unemployment rate for EU-28 in 2008 was 7 per cent, a rate that increased to 10.9 per cent by 2013 (annual average, proportion of active population) (Eurostat code une_rt_a). There were great differences between the rates in different member states.

In 2018, the annual unemployment rate (EU-28) was 6.8 per cent, down from 7.6 per cent in 2017 (Eurostat une_rt_a). The unemployed represented some 16.8 million people (EU-28), still marginally higher than the number of unemployed people in 2008, although the number had greatly reduced on the 2013 figure, when unemployment reached its peak (Eurostat une_rt_a).

Figure 20 illustrates the very great divergence between countries both in terms of the rate of unemployment and in the degree of change between 2008 and 2018. The countries with the highest rates in 2018 were Greece (19.3 per cent), Spain (15.3 per cent), and Italy (10.6). Those with the lowest rates were Czechia, Germany, Hungary, Malta, Netherlands and Poland (all with rates under 4 per cent).

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

Figure 20 Unemployment (% active population), EU-28, 2008, 2017 and 2018



Source: Eurostat online database une_rt_a

As we prepare this report in 2019, the trend for unemployment to improve continues – with a rate of 6.3 per cent reached in July 2019 (European Commission 2019b). Unemployment in the EU has receded by 11 million people since its peak in April 2013; in July 2019, there were 15.6 million unemployed in the EU, about 0.9 million fewer than in the same month of the previous year (European Commission 2019b). Compared with a year ago, the largest reduction was registered in Greece (-2.2 percentage points).

It has been estimated that those who are unemployed, those who are involuntary part-time workers, and those who are inactive but willing to work represent somewhat over 40 million people (Eurofound 2018 – discussing 2017). There are supplementary indicators used to monitor the evolution of underemployment: 'available but not seeking,' 'underemployment', and 'seeking but not available for work' (measured as a percentage of the active population). Two of these indicators show recent improvements (European Commission 2019a;2019b). The proportion of workers in the EU who are 'Available to work but not seeking' (which includes the so-called category of 'discouraged') stood at 3.0 per cent of the labour force in the first quarter of 2019. This rate decreased by 0.2 percentage points compared to the same quarter of the previous year. 'Underemployment' (the proportion of those who would like to work additional hours and are available to do so) also decreased by 0.2 percentage points and represented 3.2 per cent of the labour force. But the rate of those 'Seeking but not available for work' continues to be at 0.9 per cent of the labour force.

In previous reports in this series we reported on how the **long-term unemployment** rate (unemployment for 12 months or more) had doubled between 2008 and 2014 at EU level (that is, long-term unemployment as a percentage of the total number of active persons in the labour market). Fortunately, the long-term unemployment rate is now falling– although it is slow to improve and remains above the pre-crisis rate of 2.6 per cent, and rates also remain higher than before the crisis in 13 Member States (Eurofound 2019a).

While the rate continued to fall in the first quarter of 2019 (to 2.7 per cent), long-term unemployment still affected about 6.65 million people (somewhat higher than the numbers affected in Q1, 2008 - 6.5 million) (Eurostat online database une_ltu_q; data not seasonally adjusted). Similarly, those unemployed for 2 years or more represented over 4 million people (Q1, 2019), which again is somewhat higher than the 2008 figure (3.9 million, Q1, 2008) (Eurostat online database une_ltu_q).

That unemployment continues to be an issue can be seen in how the proportions of Europe's unemployed people that are long-term unemployed continue to be high. 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 share of long-term unemployed as a percentage of total unemployment declined over 2018, but is still high (42.6 per cent, Q4, 2018, EU-28). In the first quarter of 2019 it was 40.8 per cent (Q1, 2019), but it had risen ageing to 41.6 per cent in the second quarter (Q2, 2019) (Eurostat online database lfsq_upgal). In 2008 it had been lower (38.8 per cent) (Q1). Thus, long-term unemployment continues to be a concern with implications in human and social terms and with financial costs and possible impacts on social cohesion.

Greece, Bulgaria, Slovakia and Italy had the highest shares of long-term unemployment in quarter 2, 2019. The share was particularly striking for Greece (70.8 per cent) and, not only had it increased for the previous two quarters, but it is also considerably higher than it was in 2008 in Greece (45.9 per cent, Q1, 2008) (Eurostat online database, code lfsq_upgal). The lowest ratios were found in Finland (14.2 per cent) followed by Sweden and Denmark. Thus, some countries have higher transition rates from long-term unemployment back to employment than others.

There are groups that do relatively less well in the labour market. Amongst them are disabled people – for instance, in 2016 about 48.1 per cent of people with disabilities were employed in the EU compared with 73.9 per cent of people without disabilities (European Commission 2019a). The employment rate of non-EU nationals (aged 20 to 64) was 14.8 percentage points lower than the overall rate in 2017 (Eurostat 2018a).

Both older and younger workers experience lower employment rates than other age groups (Eurostat 2018a). While the employment rate for older workers (age 55-64) has been increasing over time – they are still the age group with the lowest employment rate (57.1 per cent as compared with 80.6 per cent for those aged 30-54 in 2017) (Eurostat 2018a, Figure 1.4). As already mentioned, in the first quarter of 2019 the EU employment rate increased for all population groups, and most noticeably for people aged 60-64 (1.8pp) (compared with the same quarter of the previous year) (European Commission 2019b). But becoming unemployed at an older age means being more likely to remain so and to experience long-term unemployment (International Labour Organization, 2018). A large proportion of older workers feel that it would be difficult to find a job with a similar salary if they lost their current job – 57 per cent aged over 55 think it would be difficult, while just 30 per cent of workers under the age of 35 feel the same, a finding that underpins the argument for increased training opportunities for older workers (Eurofound 2019a).

We turn next to the situation of young people who remain one of the most vulnerable groups in the labour market.

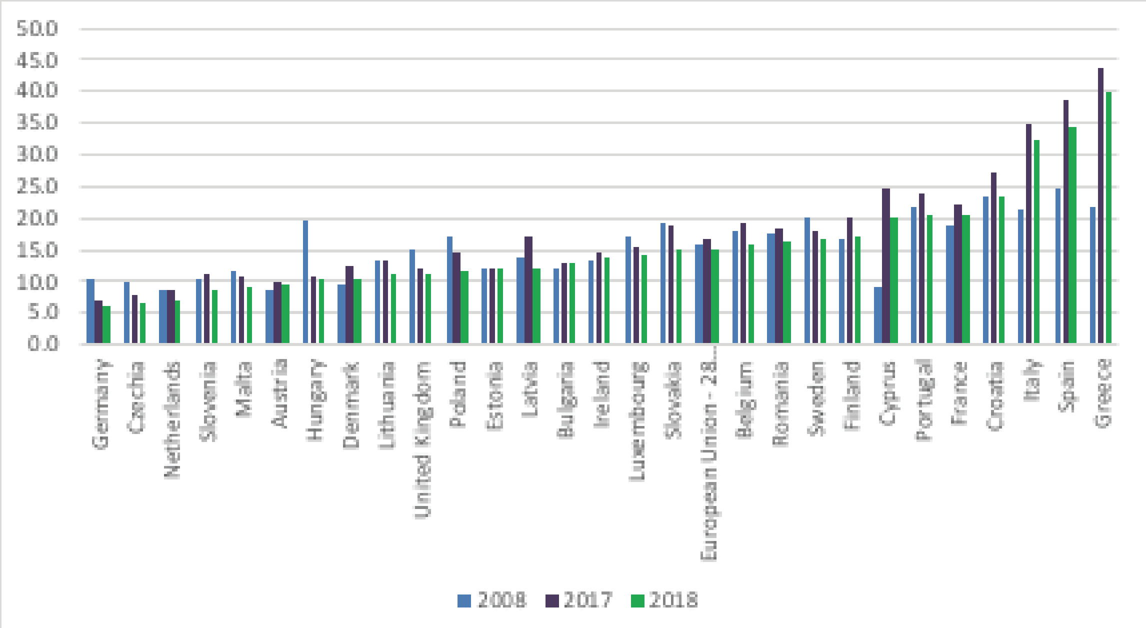
3.3 Youth Unemployment

In previous reports in this series, we reported on the great dis-improvement in the youth unemployment position following 2008. The degree of change seen between different countries was striking and this is the backdrop against which recent improvements must be seen. By 2013, the average EU-28 rate of youth unemployment (refers to those under 25) reached 23.8 per cent or some 5.6m people (of the active population (Eurostat online database une_rt_a).

In 2018, the average EU-28 rate decreased to 15.2 per cent, representing 3.4 million people (from 16.9 per cent in 2017) (as a % of active population) (Eurostat online database une_rt_a). The 2018 rate was 0.8 percentage points lower than the pre-crisis level in 2008.

Figure 21 shows, that there is great variation in the rates of youth unemployment across Europe and there were very great variations in the rate of its increase after 2008. The rates (2018) were highest in Greece (39.9 per cent), Spain (34.3 per cent) and Italy (32.2 per cent) although there were improvements in all those countries between 2017 and 2018 (Eurostat online database une_rt_a). By contrast, at the other end of the scale, the 2018 rate in Germany was 6.2 per cent and it was less than 10 per cent in five other countries (Czechia, Netherlands, Slovenia, Malta and Austria).

Figure 21 Youth Unemployment (% of active population), EU-28, 2008, 2017 and 2018



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

In July 2019, youth unemployment stood at 14.9 per cent in the EU, 0.7 percentage points lower than in the same month of the previous year (European Commission 2019b). This represents 167 thousand fewer unemployed people aged 15-24. In spite of a very significant decrease, Greece is still the country with the highest youth unemployment rate (33.0 per cent), followed by Spain (32.1 per cent) and Italy (28.9 per cent). On the other hand, a year-on-year increase occurred in ten countries, with the highest occurring in the Baltic countries (Estonia 7.1pp, Latvia 3.0pp and Lithuania 1.8pp), together with Sweden (2.3pp) and Slovenia (2.0pp) (European Commission 2019b).

In a report into long-term unemployment amongst young people, Eurofound (2017b) notes that the young people concerned are difficult to reach and often lack education and work experience, and that they are also more likely to face additional challenges such as care responsibilities, poor health and lower levels of well-being than their peers. Eurofound suggests that they are not always in a position to take advantage of the economic improvements.

A related area of concern involves young people who are neither in education nor employment (known as NEETS). There are many reasons why the NEET rate is one of the most concerning indicators relative to young people – it indicates detachment and discouragement in relation to both work and education. It includes young people who are conventionally unemployed as well as other vulnerable groups such as young disabled people and young carers (Eurofound 2016). Low educational attainment is one of the key determinants of young people entering the NEET category with other important factors including having a disability or coming from a migrant background (Eurostat 2018a). Young people with lower education levels face a three times greater risk than those with tertiary education (European Commission 2017). Serious concerns have also been flagged about the so called 'missing' NEETS – young people who have a low level of education, have no work experience and are not registered with public employment services, and are therefore very difficult to reach and at risk of becoming deeply alienated (Eurofound 2016).

The EU-28 average NEET rate (ages 15-24) was 10.5 per cent in 2018, which was only marginally lower than the 2017 rate (10.9 per cent), but down from a high of 13.2 per cent in 2012 (Eurostat edat_lfse_20). Looking back to 2008, the 2018 rate was only marginally lower (10.9 per cent, 2008) (Eurostat edat_lfse_20). The 2018 NEET rate (ages 15-24) was highest in Italy at 19.2 per cent followed by Bulgaria (15 per cent), Romania (14.5) and Greece (14.1 per cent). This means that in Italy, for example, almost one in 5 young people is in this situation.

At the other end of the scale, the countries with the lowest rates were the Netherlands (4.2 per cent), Luxembourg, Czechia and Germany. While welcome improvements took place in the NEETs rate in most countries between 2017 and 2018, most notably in Cyprus (-2.9 percentage points) and Latvia (-2.5 percentage points), there were slight increases in the rate in Estonia, Austria, Netherlands, U.K., and Slovenia.

Furthermore, when we look at the NEETs rate for slightly older age groups the picture is even more concerning. The EU-28 average NEETs rate for those aged 20-24, in 2018 was 14.9 per cent (only marginally lower than the 2008 rate of 15 per cent) (EU-28) (Eurostat edat_lfse_20). Looking at an even older group (ages 20-34), the 2018 rate was even higher - 16.5 per cent (at the same level as in 2008). The fact that the rate is high, and is remaining relatively high, for these 'older' NEETs is a trend that should be of concern.

Overall, while there have been welcome improvements in youth unemployment within recent years, the situation of young people is still difficult especially for some groups and in some countries. As the OECD (2019a) notes (relative to its member countries, which are broader than the EU), some groups are already falling behind and labour market disparities are increasing in many countries and this has been especially marked for many young people and, particularly, the low-skilled. They state:

> They face an increased risk of low-paid employment when in work, and have experienced a rise in underemployment. Their risk of being neither in employment nor in education or training has also risen or remains high. Many of these changes appear structural and go beyond the effects of the recent crisis. And they may well exacerbate already high levels of labour market inequality, fostering further social and economic tensions. They also indicate that existing policies and institutions have been inadequate and need to be overhauled (OECD 2019a).

3.4 Employment - Summary and Conclusions

As in previous reports in this series, we welcome the fact that employment has continued to increase in the EU since 2013. As Eurofound (2019b) concludes, there were favourable labour market developments in 2018 throughout the EU, with rising employment levels, declining unemployment and a reduction in involuntary part-time employment. It is very important that this opportunity is taken to make the most of this positive economic momentum and deliver on new and more effective rights given many ongoing challenges and macro-level developments (such as automation, increasing precarity).

However, while still improving, the employment rate has not increased at the anticipated rate and may not quite attain the Europe 2020 strategy target of 75 per cent by 2020. There are significant variations in the employment rates in different countries. Countries, especially in central and northern Europe, have exceeded the Europe 2020 strategy target, while other countries, especially in the south and periphery, are very far away from achieving it. The lowest employment rates in 2018 were found in Greece, Italy, Croatia and Spain (looking at ages 20-64). Some countries still have rates of employment that are a good deal lower than in 2008 – this is very notable in Greece and Cyprus.

However, there are concerns about the way that the employment picture is evolving in recent years – especially regarding growth in temporary, part-time and precarious work and falling or stagnating wages. In relation to stagnating wages, Eurofound (2019a) draws attention to the case of Germany, where real wages grew significantly among the lowest-paid employees as a result of the introduction of a minimum wage in 2015 – in contrast to other countries where wage gains have been concentrated amongst higher earners.

Another issue is that employment recovery is not reaching all regions equally, as employment growth has been much stronger in the capital city regions of countries (Eurofound and the European Commission 2019).

In 2018, the annual unemployment rate (EU-28) was 6.8 per cent (representing 16.8 million people) (Eurostat une_rt_a). The numbers concerned were still marginally higher than the number of unemployed people in 2008 (Eurostat une_rt_a). The countries with the highest rates in 2018 were Greece (19.3 per cent), Spain (15.3 per cent), and Italy (10.6). During the first half of 2019, the situation continued to improve and in July 2019, there were 15.6 million unemployed in the EU, about 0.9 million fewer than in the same month of the previous year (European Commission 2019b).

Fortunately, the long-term unemployment rate is continuing to fall in the first quarter of 2019 (to 2.7 per cent), but it still affected about 6.65 million people (Eurostat online database une_ltu_q; data not seasonally adjusted). Those unemployed for 2 years or more represented over 4 million people (Q1, 2019). The share of long-term unemployed as a percentage of total unemployment declined over 2018, and in the first quarter of 2019 it was 40.8 per cent, but it had risen ageing to 41.6 per cent in the second quarter (Q2, 2019) (Eurostat online database lfsq_upgal). In 2008 it had been lower (38.8 per cent) (Q1). Thus, long-term unemployment continues to be a concern with implications in human and social terms and with financial costs and possible impacts on social cohesion. Greece, Bulgaria, Slovakia and Italy had the highest shares of long-term unemployment in quarter 2, 2019. The lowest ratios were found in Finland followed by Sweden and Denmark.

Both older and younger workers experience lower employment rates than other age groups (Eurostat 2018a). Becoming unemployed at an older age means being more likely to remain so and to experience long-term unemployment (International Labour Organization, 2018).

Focusing on youth unemployment (those under 25), in 2018, the average EU-28 rate decreased to 15.2 per cent, representing 3.4 million people (as a % of active population) (Eurostat online database une_rt_a). In July 2019, youth unemployment stood at 14.9 per cent in the EU, 0.7 percentage points lower than in the same month of the previous year (European Commission 2019b). In spite of a significant decrease, Greece is still the country with the highest youth unemployment rate (33.0 per cent), followed by Spain (32.1 per cent) and Italy (28.9 per cent).

A related area of concern involves young people who are neither in education nor employment (known as NEETS). Low educational attainment is one of the key determinants of young people entering the NEET category with other important factors including having a disability or coming from a migrant background (Eurostat 2018a). The EU-28 average NEET rate (ages 15-24) was 10.5 per cent in 2018, which was only marginally lower than the 2017 rate (Eurostat edat_lfse_20). The 2018 rate was also only marginally lower than the 2008 rate (Eurostat edat_lfse_20). The 2018 NEET rate (ages 15-24) was highest in Italy where almost one in 5 young people is in this situation. Furthermore, when we look at the NEETs rate for slightly older age groups the picture is even more concerning.

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

It is interesting to note that the OECD (2019a) has recently argued for a focus on people and well-being and on lifelong learning (or adult learning), on reshaping social protection provisions to ensure better coverage of workers in non-standard forms of employment, and also for a greater focus on collective bargaining and social dialogue. Overall, despite very welcome improvements in employment in the EU, there are significant ongoing issues and challenges ahead that require policy responses. The relative improvements of recent years should lead to action to address the problems that still exist and to anticipate future challenges.

4 Key Services

Amongst the core rights that need to guide policy-making in the future identified by *Social Justice Ireland* (See **Table 2** in Section 1, above) are the right to appropriate accommodation, to relevant education, to essential healthcare, and to real participation. At least three functions of welfare systems are recognised: social investment (through education, for example), social protection (providing safeguards across the life-cycle) and stabilization of the economy (by cushioning shocks when unemployment increases). As well as income support, access to enabling services (such as early childhood education and care, education and training, transport, housing, job assistance, health care and long-term care) also play an essential role in reducing depth of poverty and supporting people to improve their living conditions and employment prospects (Social Protection Committee 2015). It is interesting that a recent Eurofound report (2019c) found that perceived quality of public services is a key driver for higher trust in institutions.

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

4.1 Education

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

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

In this section we will look at progress towards achieving these targets along with the situation in relation to lifelong learning and adult literacy. It is worth noting that Sustainable Development Goal 4, 'Quality Education', the European Union seeks to ensure access to equitable and quality education through all stages of life, aim to increase the number of people with relevant skills for employment, decent jobs and entrepreneurship and envisage the elimination of gender and income disparities in access to education (Eurostat 2017). The achievement of universal literacy and numeracy and the acquisition of knowledge and skills to promote sustainable development are also considered crucial for empowering people to live independent, healthy and sustainable lives. The European Pillar of Social Rights (principle 1) states that:

> Everyone has the right to quality and inclusive education, training and life-long learning in order to maintain and acquire skills that enable them to participate fully in society and manage successfully transitions in the labour market

Early School-Leaving

Reducing early school-leaving is seen as a 'gateway' to achieving other Europe 2020 Strategy targets. For example, in other parts of this report, we have pointed to how lower levels of education leaves people at greater risk of a range of negative outcomes – such as unemployment or experiencing neither education nor training (or becoming a so-called 'NEET). 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[9].

The average early school leaving rate across Europe in 2018 was 10.6 per cent. The 2018 rate was unchanged from 2017 and similar to its 2016 rate (of 10.7 per cent). While it has fallen significantly from 2008, when it was 14.7 per cent, it has not decreased to any extent in the most recent years (Eurostat online database, t2020_40). Thus, while the average rate has been approaching the <10 per cent target set in the Europe 2020 strategy, improvement rates have, unfortunately, levelled off. As a report from Eurostat (2019a) states, a renewed effort will be needed to meet the target by 2020. See **Figure 22.**

There are wide disparities between European countries when it comes to the rate of early school leaving. In 2018 the highest rates of early school leaving were to be found in Spain (17.9 per cent), Malta (187.4 per cent), Romania (16.4 per cent) and Italy (14.5 per cent). There is still a very great gap between the countries with the highest rates (Malta, Spain and Romania), and that with the lowest rate, Croatia (with a rate of 3.3 per cent).

Comparing 2018 with 2017, the greatest improvements have occurred in Romania (-1.7 percentage points), Greece (-1.3 percentage points) and Luxembourg (-1 percentage points). There have been disimprovements in other countries, including some with traditionally relatively low rates such as Sweden (+1.6 percentage points) and Denmark (+1.4 percentage points).

When we look back to 2008, there have been particularly notable decreases in the rate in countries with relatively very high levels such as Portugal (-23.1) and Spain (-13.8) and also in Malta and Greece (that is, 2008 to 2018).

Improvements in the rate of early school leaving are welcome. However, because its consequences for individuals and for society are so grave in terms of increased risk of unemployment, poverty and social exclusion (European Commission 2013), it is an issue that requires ongoing attention from policy-makers. For instance, about two-thirds of children of parents with at most lower secondary education were at risk of poverty or social exclusion in 2017 (Eurostat 2019a) and 55.7 per cent of 18 to 24-year-old early leavers from education and training were either unemployed or inactive (in 2017) (Eurostat 2018a).

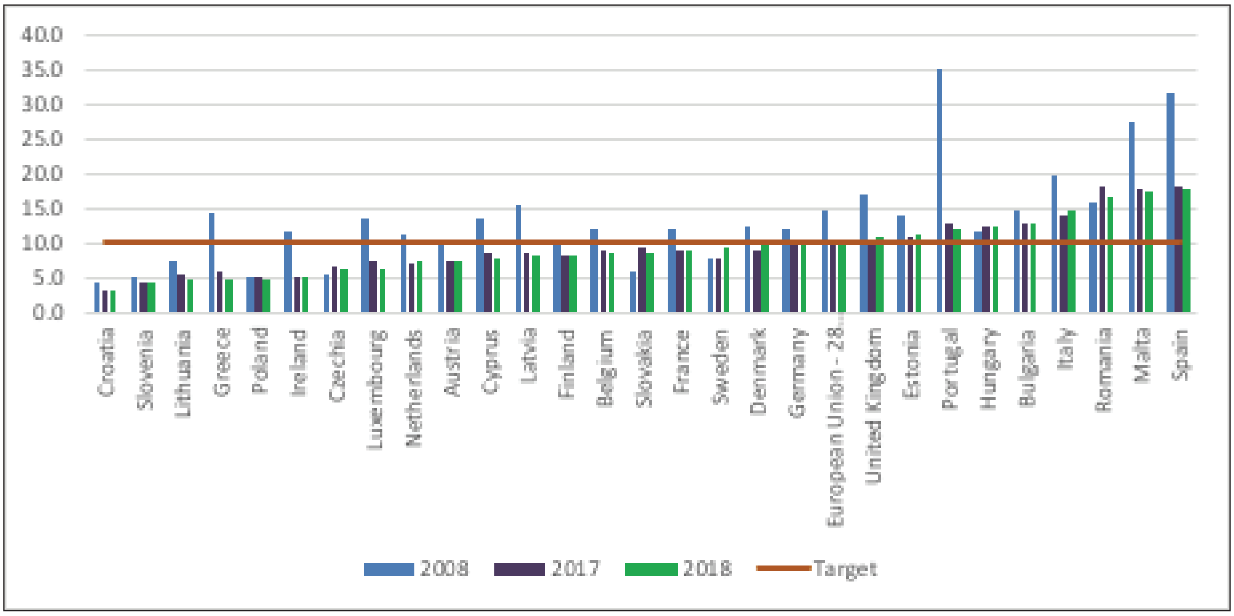
Furthermore, some groups such as disabled people are particularly vulnerable - the proportion of early school leavers among young disabled people is 23.6 per cent, which is much higher than the rate for non-disabled younger people (European Commission 2019a)[10]. Across the EU, rates of early leaving from education and training are generally higher for people who live in a country different from the one they were born in (Eurostat 2018a).

One survey of social justice in Europe suggests that to minimize the negative influence of socioeconomic background on educational outcomes, it is important that socially weaker families receive targeted support allowing them to invest in good education (for instance through minimising fees for preschools and whole-day schools) (Schraad-Tischler *et al.* 2017). That report highlights how the Nordic states, in particular, stand out with regard to policy strategies that support young people and families with exemplary preschool, whole-day school and flexible parental-leave offerings and suggests that their successful approach to combining parenting and working life thus offers a model for reform in other countries.

9 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)

10 This relates to 2016 and (for statistical reasons based on which surveys the rates are derived from) the comparable rate for non-disabled young people is 12%, which is different to that derived from the EU ELS – the different rates come from SILC and are used in the report cited here so as to be able to compare with early school leavers with disabilities (See European Commission 2019a).

Figure 22 Early School-Leaving (%), EU-28, 2008, 2017 and 2018



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

Completion of Third Level Education

When it comes to third-level education, the target set in the Europe 2020 strategy was for completion of third level education by at least 40 per cent of 30-34 year-olds by 2020. In 2018, the EU-28 average was 40.7 per cent so the target has been reached. This is an area showing large improvements since 2008 when the rate had been 31.1 per cent (Eurostat online database code t2020_41). Many countries exceed the target, as **Figure 23** shows, with Lithuania, Cyprus, Ireland, Luxembourg, and Sweden at the top of the league (all with rates at or over 50 per cent), and Romania (24.6 per cent), Italy (27.8) and Portugal (33.5) at the bottom. There is nearly a 33 percentage point gap between the country with the highest rate (Lithuania) and that with the lowest (Romania) (2018).

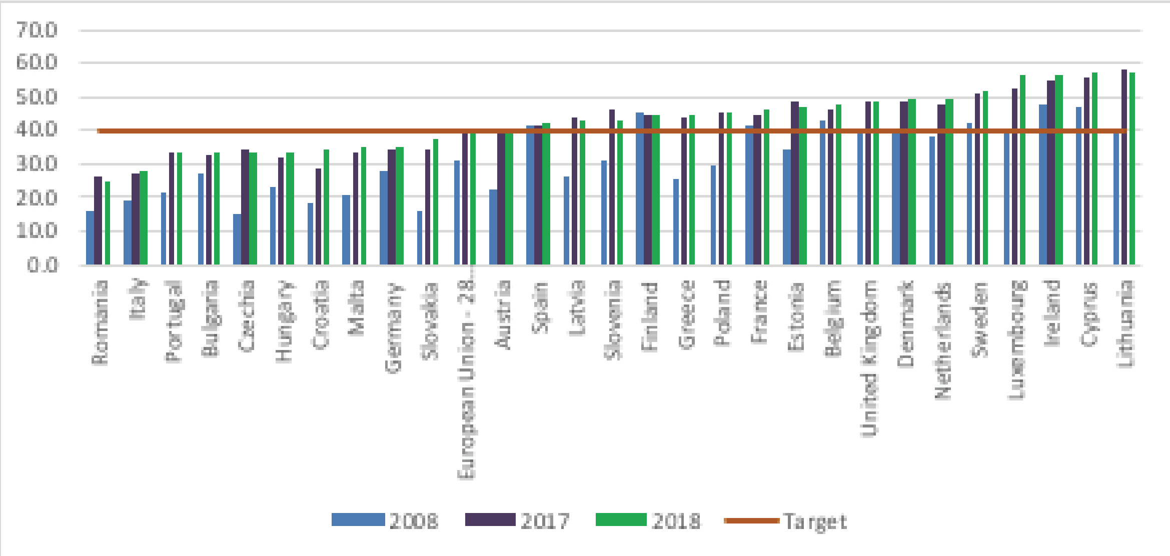
The average rate improved between 2017 and 2018 (+0.8 percentage points). In eight countries there was a disimprovement in the rate, amongst which were Slovenia (-3.7 percentage points), Romania (-1.7 percentage points), Estonia (- 1.2 percentage points) and Latvia (-1.1 percentage points). But the rate improved in most other countries, with the greatest improvements (more than 3 percentage points) occurring in Croatia (+5.4 percentage points), Luxembourg and Slovakia.

In previous reports we have made the point that progress not only needs to continue to be made to address the Europe 2020 strategy targets in education, but also to manage problems that have emerged/worsened since 2008. For example, the results of the 2015 PISA[11] tests in maths, reading and science created alarm about the level of competence of 15-year-old Europeans (European Commission 2018a). In all three (maths, reading and science), one in five pupils is a low achiever (2015). This was a step backwards compared to 2012 and the EU as a whole is seriously lagging behind in all three domains when it comes to progress towards the ET 2020 benchmark of less than 15 per cent of 15 year olds being low achievers (low achievers are students who have failed to reach level 2 of the PISA test) (Eurostat 2018a). The results of the 2018 round, which has a special focus on reading, have just been published as we prepare this report (December 2019). They

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

show improvements for several EU countries, but the global trend shows Asian school systems such as China and Singapore getting the best results. Estonia, Finland Ireland, Poland and Sweden are the highest achieving European countries.

Figure 23 Tertiary Education Attainment (%), EU28, (ages 30-34) 2008, 2017 and 2018



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

As the Commission notes (2018b:14), there is strong evidence that low achievers at the age of 15 will remain low achievers as adults, because the lack of basic skills strongly reduces the likelihood of a person achieving a satisfactory labour market outcome. The poor PISA scores were linked to social background, measured by parents' education attainment level – having parents with only low-level education reduces students' chances of achieving high scores in PISA and attaining high skill levels during adulthood (European Commission 2018b). As the European Commission notes, in some countries, the relatively tight connection between parental background and a person's achievement means that the educational system is unable to ensure equality of opportunity. Along with lifelong learning, promoting early childhood education for all can be effective in establishing a level playing field that reduces inequalities at an early stage in the life and work cycle (European Commission 2018b).

A related issue is the cohort of young people neither in education nor employment – or NEETs, as discussed in **Section 3** of this report. As mentioned there, this is considered one of the most concerning indicators relative to young people. A review from Eurofound concerned with NEETS identified education as playing a key role in keeping people out of this category, as the probability of becoming NEET decreased as educational level increased (Eurofound 2016).

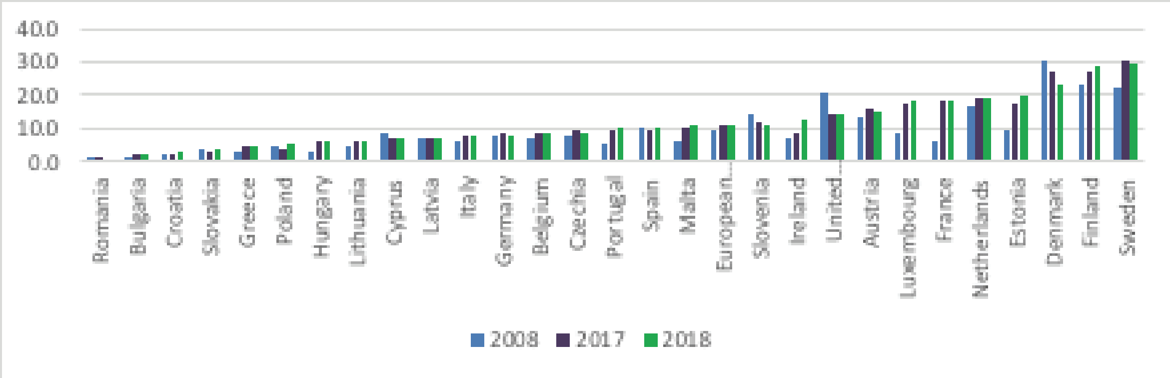
Among the factors that the OECD points to in terms of integrating young people into the world of work are education systems that are flexible and responsive to the needs of the labour market, access to high-quality career guidance and further education that can help young people to match their skills to prospective jobs (OECD 2015).

Lifelong Learning

Lifelong learning can play many important roles in the life of an individual, not least offering a second chance for people who may not have had good experiences in school first time around. In economic terms it is recognised that countries need to invest not just in initial education and training systems but also in lifelong learning to ensure that skills are

Chapter 4

Figure 24 Lifelong Learning, (%) EU-28, 2008, 2017 and 2018



Source: Eurostat online database, **trng_lfse_01**

used, maintained and updated. This is obviously of particular importance in ageing societies, not just in human terms, but also because there is more and more emphasis on extending working lives. Furthermore, reviewing the very great difficulties that some young people have in transitioning from school to work, the OECD notes how many leave education without the skills needed for the labour market or to continue further in education (2015). Hence, they argue, efforts should concentrate on ensuring that those with low-skills participate in adult learning as well as improving adult learning programmes. Despite their apparent greater need for training, the participation of low-skilled people in lifelong learning/training activities (both when employed and unemployed) is much lower than for other groups (European Commission 2016a).

The EU also has a strategic framework for cooperation in education and training under which targets have been set for 2020 - the Strategic Framework for European Union cooperation in Education and Training (known as 'ET 2020'). Amongst the targets which the ET 2020 framework set for 2020 are that an average of at least 15 per cent of adults (age group 25-64) should participate in lifelong learning.

In 2018 the average rate of participation in lifelong learning was 11.1 per cent (slightly up on the 10.9 per cent rate, 2017) (measured through the participation rate for people aged 25-64 in training and education in the past four weeks[12]). It is higher than it had been in 2008 (when it was 9.5 per cent) but in recent years increases have only been marginal (Eurostat online database, **trng_lfse_01**). The European Commission argues that such a relatively low rate (representing just one in ten of those aged 25-64 regardless of labour-market status) represents a real lost opportunity (2016a). Clearly, the EU is not on target to reach the target (15 per cent average) set in the ET 2020 strategy.

There is great variation across Europe in terms of the rates of participation. Nordic countries tend to top the table; in 2018 the top three countries were Sweden (29.2 per cent), Finland (28.5 per cent) and Denmark (23.5 per cent). They were followed by Estonia, the Netherlands, France and Luxembourg. At the other end of the scale, the rate was lowest in Romania (0.9 per cent), Bulgaria and Croatia. Thus, there is close to a 30 percentage point difference between Sweden with the highest rate and Romania with the lowest. See **Figure 24.**

There have been dis-improvements in the rates in 11 countries between 2017 and 2018 and there was no change in three countries. Some declines were slight, but the most notable decline (a pattern over a number of years now) was in Denmark (-3.3 percentage points, 2017-18), which, as noted already, is one of the countries that typically has a relatively very high level. Improvements occurred in 14 countries (again often slight), with the most notable improvement (+3.5 percentage points) in Ireland – a country with

12 Lifelong learning: those aged 25-64 who received education/ training in four weeks preceding the survey. The denominator consists of the total population of the same age group, excluding those who did not answer to the question. This relates to all education or training whether relevant to the person's current or possible future job (Eurostat trng_lfse_01).

a traditionally relatively low rate. Estonia (+2.5 per centage points) and Poland (both +1.7 percentage points) also showed improvements. Finland, a country that already has a relatively very high level, increased its rate by 1.1 percentage point in the year (an improving trend in evidence for some time).

European countries with the highest levels of participation in lifelong learning for both employed and unemployed people also have the highest transition rates out of unemployment and lowest transition rates from employment to unemployment, which obviously has positive implications for the prevention of long-term unemployment (European Commission 2015). The European Commission draws attention to the fact that several countries with the highest rates of participation in lifelong learning are also the world's most competitive (European Commission 2015). For example, in the World Economic Forum 2018 report, the Netherlands, Sweden, Denmark and Finland, which are amongst the top five countries in terms of lifelong learning participation rates, are also ranked as 6th, 9th,10th and 11th, respectively, amongst 137 economies in terms of competitiveness (World Economic Forum 2018). Of course, those countries also tend to be ranked highly on other education indicators as already shown.

As mentioned in **Section 3** of this report, the OECD (2019a) has recently again drawn attention to the need for adult learning in the context of a range of broad societal challenges. They highlight the need to move away from a model of front-loaded education – whereby recognised skills are mainly developed in schools and universities and subsequently used at work – to a system in which skills are continuously updated during the working life to match changing skills needs and the need to anticipate changes and adapt policies to better target disadvantaged groups.

Adult Literacy

As we noted in previous iterations of this report, problems relating to **adult literacy** represent a challenge for individuals and for societies. They 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).

Assessments of literacy across countries can be complicated processes. In this series of reports, we look briefly at one indicator of adult literacy across Europe – the OECD's Survey of Adult Skills, including results for the second round (study conducted 2014-2017) (OECD, 2013; 2016c, 2019b). Its most recent round brings to 21, the EU countries participating. Data from Round 3 released in November 2019 adds Hungary to the list of participating EU countries (along with Ecuador, Kazakhstan, Mexico, Peru and United States).

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

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

Numeracy is defined as: 'the ability to access, use, interpret and communicate mathematical information and ideas in order to engage in and manage the mathematical demands of a range of situations in adult life' (OECD 2013: 75). **Table 4** shows the findings in respect of the 21 European countries that participated in all three rounds (the third announced in Nov 2019).

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

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

Source: OECD 2019b. Non-EU countries omitted from this table. Results were presented separately for England and Northern Ireland; for Belgium, Flanders was the participating area. **Note:** The average literacy score across the OECD countries that participated in the assessment was 266 points, numeracy, 262. The mean score across all participating countries was lower than those calculated during previous rounds (due to the addition of further countries)[13].

The average literacy score for the OECD member countries participating in the assessment was 266 points. The lowest average scores were observed in Italy (250 points), Spain and Greece (that is, amongst participating EU countries), while Finland (288 points), Netherlands and Sweden record the highest. This means that an adult with a proficiency score at the average level in Italy can typically only successfully complete tasks of level 2 literacy difficulty; in Finland the corresponding level of difficulty is higher - level 3.

The average numeracy score among the OECD member countries participating in the assessment is 262 points. Looking only at participating EU countries, Finland has the highest average score (282 points) followed by Belgium, the Netherlands, Sweden and Denmark, while Spain (246 points) and Italy (247 points) record the lowest average scores.

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

In both literacy and numeracy proficiency, some participating countries do significantly better than average – Finland's performance (topping the table in both literacy and numeracy) is notable. Also scoring relatively high in both are the Netherlands, Sweden and Belgium.

13 In the results of the previous round, which included fewer countries, the average scores were: literacy 268; numeracy 263 (OECD 2013:70,80).

Adult skills matter, because as that report argues, where large shares of adults have poor skills, it becomes difficult to introduce productivity-enhancing technologies and new ways of working, which in turn stalls improvements in living standards and tends to widen income inequality (OECD 2019b). Furthermore, in all countries, adults with lower skills are far more likely than those with better literacy skills to report poor health, to be less involved in political processes and to have less trust in others.

We can also look at these countries in light of the education indicators already discussed (early school leaving, third level attainment of 30-34 year olds, and participation in lifelong learning of adults). It is interesting to note that certain countries tend to be better performers across several or all indicators. These include, in particular, Finland, Sweden, Denmark, the Netherlands. Luxembourg is ranked relatively highly on most indicators though they did not participate in the survey of adult literacy. Overall, this examination suggests that the policies pursued by these countries seem to impact a range of different groups positively.

Croatia tops the league for the lowest early school leaving rate, but performs below average on other measures and they did not participate in the adult literacy survey. Estonia performs well in lifelong learning and is above average on third level attainment. Slovenia performs notably well on early school-leaving (ranked second-highest performing after Croatia, 2018) and is above average on third level attainment and slightly above the average on lifelong learning. The performance of Lithuania is highest amongst EU28 countries in third-level attainment; they are the third best performing on the early school leaving rate but they do not perform above the EU average in lifelong learning.

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

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

4.2 Education - Conclusion

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

Improvements in the average (EU-28) rate of early school leaving since 2008 are welcome, as is the fact that (at 10.6 per cent) the average is now close to the <10 per cent target set in the Europe 2020 strategy. But while the average rate has fallen significantly from 2008, it has not decreased to any extent in the most recent years – so progress has stalled. There are wide disparities between European countries when it comes to the rate of early school leaving. In 2018 the highest rates were to be found in Spain (17.9 per cent), Malta, Romania and Italy (14.5 per cent). There is still a very great gap between the countries with the highest rates, and that with the lowest rate, Croatia (with a rate of 3.3 per cent). Some groups (including disabled people) continue to have relatively very high rates. Furthermore, because its consequences for individuals and for society are so grave in terms of increased risk of unemployment, poverty and social exclusion, it is an issue that requires ongoing attention from policy-makers and a renewed effort will be needed to meet the Europe 2020 target.

For third level attainment, the target set in the Europe 2020 strategy was that at least 40 per cent of 30-34 year-olds would complete third level. In 2018, the EU-28 average was 40.7 per cent so the target has been reached. This is an area showing large improvements since 2008 when the average rate had been 31.1 per cent. In 2018, five countries had with rates at or over 50 per cent. However, there is nearly a 33 percentage point gap between the country with the highest rate (Lithuania) and that with the lowest (Romania) (2018).

One of the problems that Europe now faces is that progress not only needs to continue to be made to address the areas in which targets were set in the Europe 2020 strategy, but also to manage other issues such as low basic skills amongst disadvantaged socio-economic groups. Ongoing attention is required to issues of literacy and numeracy across all age groups. One issue is the phenomenon of NEETs, young people neither in education nor employment (see **Section 3** of this report). Education plays a key role in keeping people out of the NEET category.

When we look at lifelong learning, relatively very low rates of participation in many EU countries represents a lost opportunity both for individuals and for societies and economies. At 11.1 per cent, the average rate is higher than it had been in 2008 (9.5 per cent) but in recent years increases have only been marginal – so the fact that the rate is stagnating is unfortunate given that basic skills are lacking for so many people and much remains to be done to improve adult literacy in many countries. Clearly, the EU is not on target to reach the lifelong learning target (15 per cent average) set in the ET 2020 strategy. There is great variation across Europe in terms of the rates of participation. Nordic countries tend to top the table; in 2018 the top three countries were Sweden, Finland and Denmark followed by Estonia, the Netherlands, France and Luxembourg. At the other end of the scale, the rate was lowest in Romania, Bulgaria and Croatia. There is close to a 30 percentage point difference between Sweden with the highest rate and Romania with the lowest.

Certain countries tend to be better performers across several or all education indicators. These include, in particular, Finland, Sweden, Denmark, the Netherlands.

1.3 Health Services

As mentioned in **Section 1**, *Social Justice Ireland* includes the right to essential healthcare amongst its core rights that need to guide policy-making in the future. The issue of health and of reducing health inequalities is central to several high level strategies and commitments. These include the Europe 2020 strategy, which underlines the need to reduce health inequalities and ensure better access to healthcare systems, as access to high-quality health services is essential for good quality of life and inclusive growth (a main objective of the strategy). They also include the EU Sustainable Development Goals (SDG 3), which aim to ensure health and well-being for all at all ages. Also, the 2017 European Pillar of Social Rights calls for universal access to high-quality healthcare and emphasises the importance of preventive healthcare.

Overall, EU citizens enjoy near-universal access to healthcare, their life expectancy — already among the highest in the world — continues to increase while infant mortality rates have dropped to very low levels; and health expenditure constitutes a significant part of government and private expenditure (Eurostat 2018b).

However, as previous reports in this series have discussed, following the economic crisis, many people in the EU experienced an erosion of health coverage (Thomson, Evetovits and Kluge, 2016). In Greece, for example, nearly 2.5 million people lost access to health services during the crisis due to unemployment or inability to pay social health insurance contributions (Economou *et al.* 2017) before remedial legislation restored coverage for the whole population in 2016. In previous reports in this series, we looked at the social justice index from Bertelsmann Stiftung, most recently in its 2017 iteration (see Social Justice Ireland 2019; Schraad-Tischler *et al.* 2017). That report used a combination of indicators to arrive at a basic impression of differing degrees of fairness, inclusiveness and quality between health systems in EU countries and it allocated a score to each country (Schraad-Tischler *et al.* 2017). Overall, the report argues that quality of healthcare is high in Europe. But amongst the 19 countries for which comparison is possible with 2008, deterioration between then and 2017 was noted in 10 countries, the largest deterioration in Greece. In 2017, Sweden, Germany and Luxembourg held the top three places followed by the Netherlands, Malta, Belgium, Czechia and France. Country ratings vary depending on the indicators employed. In another cross-country comparison, the Netherlands, Denmark, Belgium, Finland, Luxembourg, Sweden, France and Germany were the top performers amongst EU countries (European Consumer Powerhouse 2018).

Life expectancy has increased in EU countries over the past decades, but this rise has slowed since 2010 in many countries, particularly in Western Europe (OECD/EU 2018). Large inequalities in life expectancy persist not only by gender (women still live nearly 5.5 years more than men on average), but also by socioeconomic status; on average across EU countries, 30-year-old men with a low education level can expect to live about 8 years less than those with a university degree or the equivalent (OECD/EU 2018). Large inequalities also exist in how people rate their health: nearly 80 per cent of adults in the highest income group report to be in good health across EU countries, compared with about 60 per cent of people in the lowest income group (OECD/EU 2018).

There is great diversity in healthcare systems across the EU. A report from Alvarez-Galvez and Jaime-Castillo (2018) evidences positive effects of social spending on reducing inequalities in health in a broad sample of European countries across a long period of time. It is challenging to compare health systems, health expenditures and health outcomes for different groups and different countries. When self-reported measures of the experience of health services are used, there is a danger of cultural differences and divergent local expectations affecting the outcomes, which makes cross-country comparisons challenging.

As in previous iterations of this report, we will look at different approaches that allow an examination over time. The first is self-reported unmet need for medical help from Eurostat. The second, involves looking at overall perceptions of the quality health services from the European Quality of Life Survey (2007-2016) (Eurofound 2017c; 2019c).

Eurostat publishes rates of self-reported unmet need defined as the share of the population perceiving an unmet need for medical examination or treatment (online database hlth_silc_08). This is one of the social protection indicators used in the social protection performance monitor (SPPM) by the EU's Social Protection Committee (The Social Protection Committee 2018).

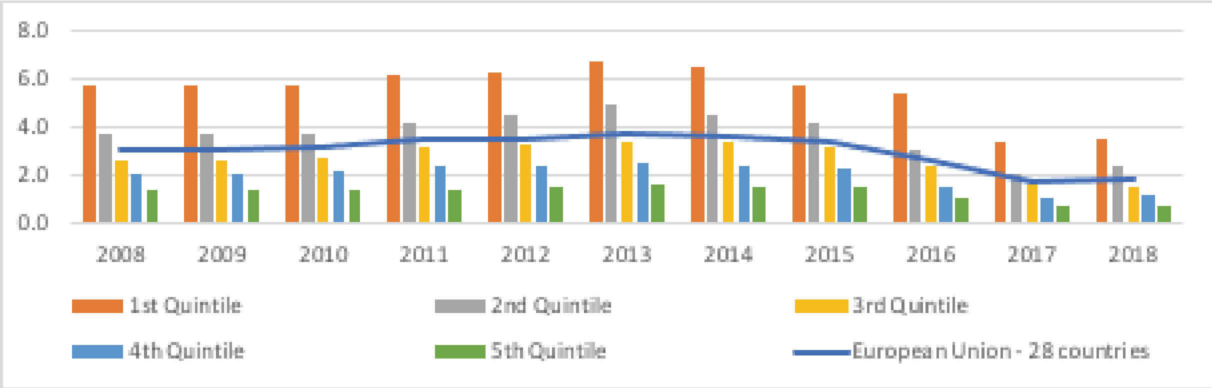
A number of reasons may be given for inability to avail of medical treatment, but in this case we look at reasons associated with problems of access (could not afford to, waiting list, too far to travel). The average rate of perceived unmet need for medical treatment (due to difficulties with access) was falling up until 2009 when it started to increase again. It rose from 3 per cent (EU27) in 2009 to 3.7 per cent in 2013 (EU28). It has fallen since, and there has been a noticeable improvement in recent years. The average rate was 1.8 per cent in 2018 (EU28) (Eurostat online database code hlth_silc-08).

However, as **Figure 25** shows, the perception is different between different income quintiles with more perceived unmet need in the poorer quintiles. As in previous years, in 2018, it was least perceived in the top income earners (5th quintile) (0.7 per cent) and most amongst the lowest earners (or 1st quintile) (3.4 per cent). In short, as the EU's Social Protection Committee (2017) notes, there is a clear income gradient as those in the lowest income quintiles more often report an unmet need for medical care, and the gap between the lowest and highest quintiles rose during the crisis years. Unfortunately, as between 2017 and 2018, there has been a slight increase in the average rate and in the perception of unmet need in the lowest two income groups (quartiles 1 and 2).

The situation is also different between countries. The latest annual report from the EU's Social Protection committee (2018), highlights how ten Member States have a key challenge as concerns access to health care, based on self-reported unmet needs for medical care due to cost, waiting time, or distance (Czechia, Estonia, Greece, Finland, Hungary, Ireland, Italy, Lithuania, Latvia and Poland).

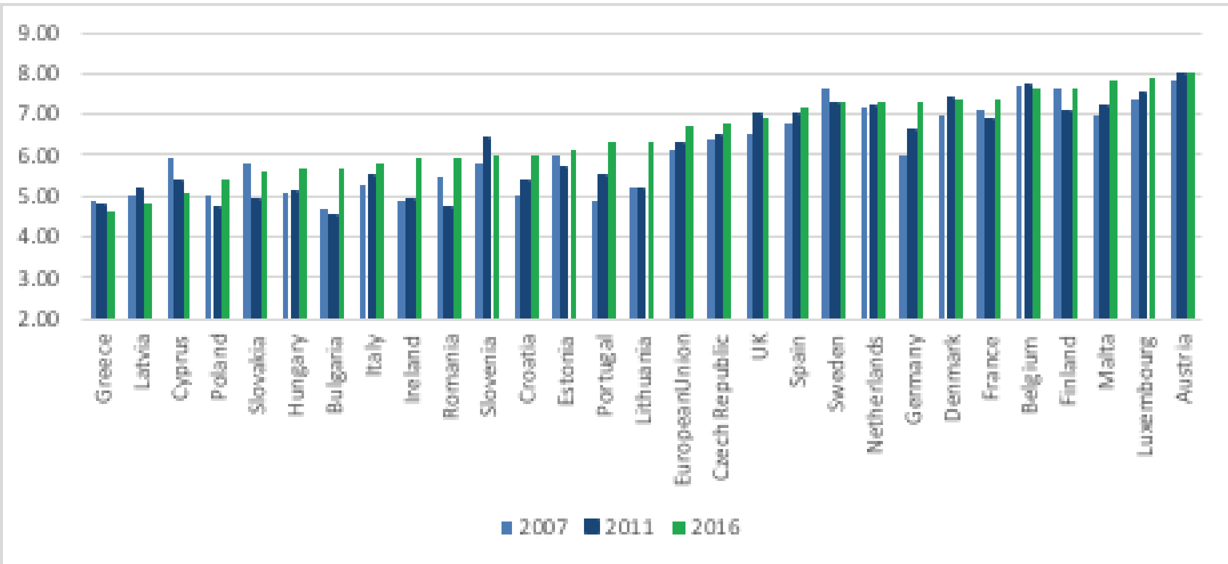
The second indicator that we look at comes from the European Quality of Life Survey carried out at the end of 2016. This has not been substantially updated since our last report in this series (see Eurofound

Figure 25 Self-reported unmet need for Medical Examination or Treatment Due to Problem of Access (%), EU-28, 2008-2018, By income Quintile



Source: Eurostat online database 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.

Figure 26 European Quality of Life Survey: Perceived Quality of Health Services, 2007, 2011, 2016



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

2017c; and Social Justice Ireland 2019) so we reproduce our reporting on it from last year and also focus on a few groups about whom information is available in a more recent Eurofound report (2019c) (based on the same survey). Overall that survey found that how people rated the quality of public services had improved since 2011. See **Figure 26**. In particular, satisfaction with healthcare and childcare improved in several countries where ratings were previously low.

But, unfortunately, in several countries, participants rated the quality of health services less favourably in 2016 than in 2011 (Latvia, Slovenia, Cyprus, Greece, UK and Belgium). Thus, the perceived quality of public services still varies markedly across EU countries (Eurofound 2017c).

Furthermore, people in lower income groups reported less improvement in the quality of services. For example, in 17 countries, those from the lowest income group (quartile 1, lowest 25 per cent) rated the quality of their health service more negatively than those in the top income group (quartile 4, top 25 per cent) (in 2016) (EQLS2017 data visualisation Eurofound online database, Eurofound 2017d). The European Quality of Life Survey concludes that there are persistent inequalities on some indicators and that for low-income groups, improvements on several dimensions were more limited in terms of overall quality of public services, perception of social exclusion and risk to mental health (women in the lowest income quartile being consistently at higher risk over the last decade) (Eurofound 2017c).

However, the self-reported health of the population, which had deteriorated in the aftermath of the crisis, was better in 2016 than it had been in 2007, including in the lowest income quartile (Eurofound 2017c).

A more recent report from Eurofound (2019c) based on the same survey highlighted issues for particular groups:

- **Younger people:** There are strong indications of increased risk of mental health problems among those aged 12–24 years, with many hard groups to reach, such as those with chronic health problems, living in rural areas and not in education or employment.
- **Older People:** In central and eastern Europe, rates of loneliness, poor mental health and social exclusion are particularly high for older people – in part due to poorly developed care services.
- **People in a 'twilight zone':** A diverse group of people with incomes above a threshold that would entitle them to state support but which do not enable them to easily pay for care themselves are said to be in a twilight zone with recent research confirming that the vulnerability of this group persists even though economies have largely recovered from the crisis in terms of GDP (Eurofound 2019c, citing Forster *et al.*,2018).
- **Information/consultation-Low-income groups**: While satisfaction with different aspects of health care has improved, many people were dissatisfied with being informed and consulted about their care – and this proportion was higher among people with low income.

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

A recent annual report from the EU's Social Protection Committee (2018) summarises the current situation relative to healthcare systems, concluding that they should seek to provide universal access to healthcare for all. The committee suggests that issues that need addressing include health inequalities and access healthcare faced by the most vulnerable (including high out-of-pocket costs in some countries), and they suggest shifting the focus towards primary care and prevention, as well as promoting healthier life-style habits.

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

4.4 Health - Conclusion

Overall, the quality of healthcare is high in the EU. However, following the economic crisis, many people in EU member states experienced an erosion of health coverage and lower income groups experienced more unmet need than others. The fact that so many countries failed to prevent erosion of health coverage for the most vulnerable should be a matter of concern to national and international policy makers in the EU and needs to influence planning for the future.

There has been a welcome downward trend in the average perception of unmet need for health care across the EU in recent years (due to problems of access: online database hlth_silc_08). However, the perception is different between different income groups, and, as in previous years, in 2018, it was least perceived in the top income earners and most amongst the lowest earners. Unfortunately, as between 2017 and 2018, there has been a slight increase in the average rate and in the perception of unmet need in the lowest two income groups (quartiles 1 and 2) and it is to be hoped that this trend does not continue

There also continues to be great variation in these perceptions across different countries. Ten Member States have a key challenge as concerns access to health care, based on self-reported unmet needs for medical care due to cost, waiting time, or distance (Czechia, Estonia, Greece, Finland, Hungary, Ireland, Italy, Lithuania, Latvia and Poland) (Social Protection committee 2018).

The perceived quality of public services still varies markedly across EU countries (Eurofound 2017c). In one cross-country comparison, the health systems of the Netherlands, Denmark, Belgium, Finland, Luxembourg, Sweden, France and Germany were the top performers (amongst EU countries) (European Consumer Powerhouse 2018).

Several indicators we reviewed suggest that there have been improvements in respect of access to, and perceptions of quality of, health services in recent years, and this is welcome. But, unfortunately, in several countries, participants rated the quality of health services less favourably in 2016 than in 2011 (Latvia, Slovenia, Cyprus, Greece, U.K. and Belgium) (European Quality of Life Survey, Eurofound 2017c).

Certain groups continue to experience particular difficulties and need a particular policy focus, and inequalities still need to be addressed as disparities, such as in life-expectancy continue to be great between socioeconomic groups. Some of the groups whose needs have been recently highlighted include younger people at risk of mental health (such as those with chronic health problems, living in rural areas and not in education or employment), older people in central and eastern Europe and a diverse group with incomes above a threshold that would entitle them to state support (Eurofound 2019c).

Chapter 5

5 Taxation

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

5.1 Total Taxation as a percentage of GDP

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

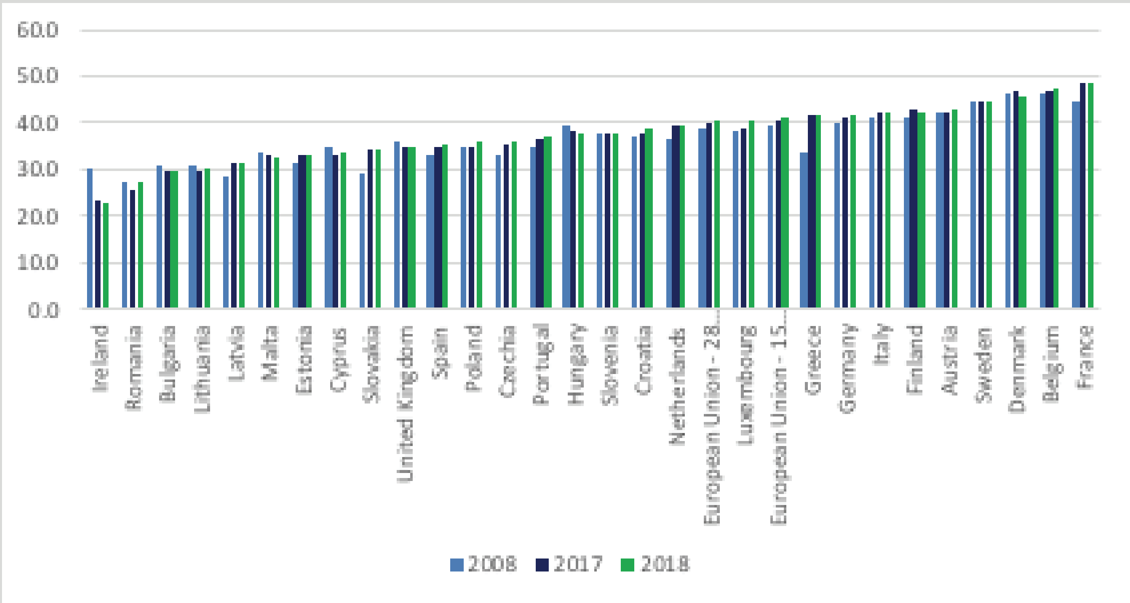
As a ratio of GDP, in 2018 tax revenue (including net social contributions) accounted for 40.3 per cent of GDP in the European Union (EU-28) and 41.7 per cent of GDP in the euro area (EA-19). Compared with 2017, increases in the ratio are observed for the EU-28 and the euro area. In absolute terms, tax revenue in 2018 continued the growth from its low-point of 2009. From 2017 to 2018, EU-28 tax revenue increased by EUR 224 billion and euro area tax revenue increased by EUR 174 billion.

However, as **Figure 27** shows, there is considerable variation between member states in the EU in respect of total taxes as a proportion of GDP. Ten countries had total taxation ratios greater than the EU average of 40.3 per cent (in 2018). It was highest in France (48.4 per cent of GDP), Belgium (47.2 per cent of GDP) and Denmark (45.9 per cent of GDP), followed by Sweden (44.4 per cent of GDP), Austria (42.8 per cent of GDP), Finland (42.4 per cent of GDP) and Italy (42.0 per cent of GDP); the lowest shares were recorded in Ireland (23 per cent of GDP), Romania (27.1 per cent of GDP), Bulgaria (29.9 per cent of GDP), Lithuania (30.5 per cent of GDP) and Latvia (31.4 per cent of GDP). Thus, the highest levels are found in the 'older' countries of the EU, including France, Belgium, Denmark, Sweden, Austria and Finland.

Overall, the range is broad with a difference of 25.4 pps between the country with the lowest ratio (Ireland) and that with the highest (France). Between 2017 and 2018, increases in the tax-to-GDP ratios were observed in seventeen Member States. In percentage points, the highest increases in % of GDP from 2017 to 2018 were recorded by Luxembourg (from 39.1 per cent in 2017 to 40.7 in 2018), ahead of Romania (from 25.8 per cent to 27.1) and Poland (from 35.0 per cent to 36.1). Decreases or in the tax-to-GDP ratio or stable ratios were observed in eleven EU Member States (Denmark, Hungary, Finland, Sweden, Latvia, Malta, Ireland, Italy, Greece, Slovakia, and the Netherlands). The largest

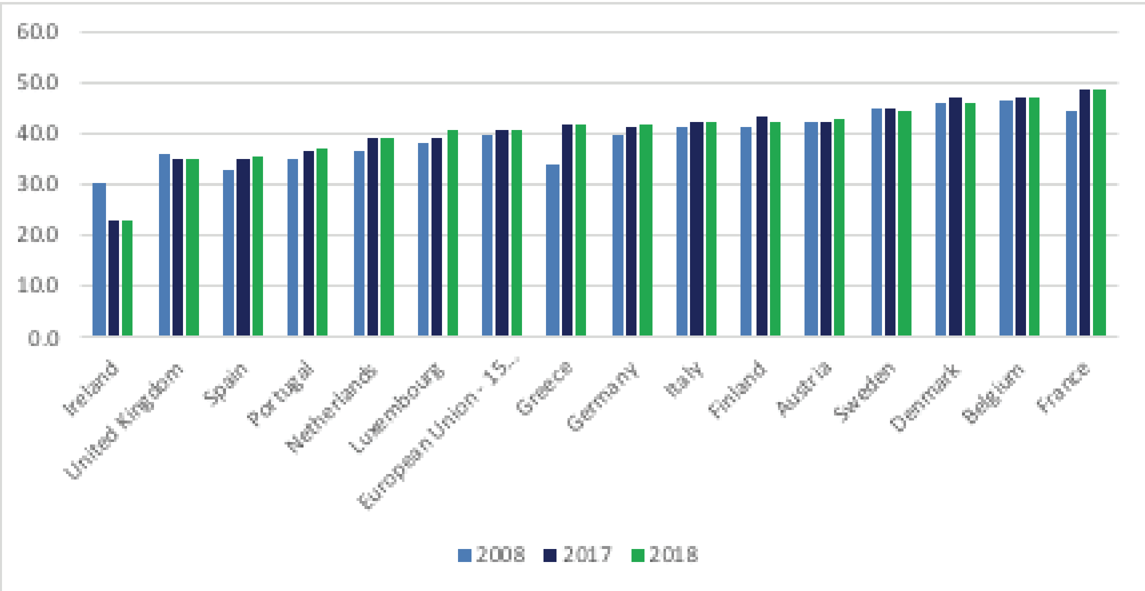
14 That is, taxes on production and imports, income and wealth, capital taxes, and compulsory social contributions paid by employers and employees (see Eurostat 2014:268)

Figure 27 EU-28 Total Taxes (incl ssc) as a % of GDP, 2008, 2017 and 2018



Source: Eurostat Online database: **gov_10a_taxag**. Total receipts from taxes and social contributions (including imputed social contributions) after deduction of amounts assessed but unlikely to be collected

Figure 28 EU-15 Total Taxes (incl SSC) as a % of GDP, 2008, 2017 and 2018



Source: Eurostat Online database: gov_10a_taxag. Total receipts from taxes and social contributions (including imputed social contributions) after deduction of amounts decreases in the tax-to-GDP ratio were observed in Denmark (from 46.8 per cent in 2017 to 45.9 in 2018), Hungary (from 38.4 per cent to 37.6) and Finland (from 43.1 per cent to 42.4).

Already before the 2004 enlargement, several member states had tax ratios close to 50 per cent (such as the Scandinavian countries and Belgium), and there were also several low-tax Member States (such as Ireland, Spain, the UK and Greece) (Eurostat 2008). The generally lower tax ratios in the accession countries meant that the 2004 and 2007 enlargement resulted in a significant decline for the EU average value. Thus, in **Figure 28** the tax ratios are set out for EU-15 countries. This shows an average ratio of 40.9 per cent for EU-15 for 2018, only marginally higher than the average for EU-28 countries. When looked at in this way it is again Ireland that has the lowest ratio, followed by United Kingdom, Spain and Portugal. It must also be acknowledged in the case of Ireland that the highly globalised nature of the Irish economy as well as taxation policies pursued inflates GDP as a measure of activity – but even notwithstanding this, Ireland's ratio compares poorly with many other countries, especially with its peers amongst the older accession countries.

Eurostat appears to take 35 per cent of GDP as a ratio that represents a relatively low-tax approach (Eurostat 2008:5). In EU-15 (the 'old member states of the EU), Ireland is the only country with a tax take that is appreciably lower than the 35 per cent threshold, with the next lowest ratios in Spain and the UK (35.1 and 35.4 per cent, respectively).

It is also worth noting that amongst the countries with the highest total taxation ratios relative to GDP are some of the countries considered the most competitive in the world. According to the World Economic Forum's Global Competitiveness index, Germany, Sweden and Denmark are amongst the world's ten most competitive countries and Finland was ranked 11th (World Economic Forum 2018).

5.2 Total Taxation in light of Some Social Inclusion Indicators

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

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

We can look at these taxation levels in light of levels of poverty or social exclusion set out in **Section 2** of this report. There are 16 countries that have below average rates of poverty or social exclusion (in 2018). The majority of these (12 out of 16) have taxation ratios above 35 per cent. Amongst the top 10 countries in terms of protecting their populations from poverty or social exclusion (all with rates of poverty or social exclusion below 20 per cent in 2018) are central and Scandinavian countries such as Finland, Netherlands, Denmark, France, Austria, Sweden and Germany, all of which are above the 35 per cent tax ratio threshold (threshold that signals a low-tax economy). In fact, amongst these countries, all but Netherlands are above the EU average tax ratio to GDP as well.

Czechia has a poverty or social exclusion rate of 12.2 per cent, the lowest rate in 2018 (EU28), and also a taxation rate below the EU average. However, it is now above the 35 per cent threshold. Czechia is considered to be relatively effective at delivering fairness in society due to a favourable employment picture and a still rather redistributive social policy (Schraad-Tischler 2015; Schraad-Tischler et al, 2017). As mentioned already, Slovenia (with a taxation to GDP ratio of 37.9 per cent) is considered to do well in poverty reduction, especially on the areas of children and youth. For its part, Slovakia is also one of the better performing countries on poverty prevention (with a poverty or social exclusion rate in 2018 of 16.3 per cent) and with a taxation to GDP ratio below the EU average and just below the 35 per cent threshold (34.3 per cent, in 2018). Thus, it too is considered to perform relatively well in poverty prevention due mainly to the country's comparatively even income distribution patterns (Schraad-Tischler, 2015). As part of the context, it must be acknowledged, that income levels in post-communist countries are still considerably below those in Western Europe. In addition to the overall level of taxation, a range of historical and institutional factors are probably also relevant to the outcomes achieved as are the social policies pursued (Schraad-Tischler and Kroll 2014).

We can also look back at income inequality in light of taxation ratios. In **Section 2, above**, we looked at the S80/20 measure of income inequality (Eurostat ilc_di11). A similar list of countries appears to also have the highest total taxation ratios and they are also some of the countries with the lowest rates of income inequality. And, correspondingly, amongst those countries with the highest levels of inequality are also those with the lowest levels of taxation (again relative to GDP).

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

Social Investment

How well countries perform on social investment is discussed in **Section 1,** above. In **Table 6** we compare countries' rankings for total taxation against the way that they have been ranked on their approach to social investment (following the schema of Bouget *et al* 2015 – see the Introduction to this Report.

Table 5 EU-28: Total Taxation as % GDP (2018)

	2018
Above EU-28 average	
France	48.4
Belgium	47.2
Denmark	45.9
Sweden	44.4
Austria	42.8
Finland	42.4
Italy	42.0
Greece	41.5
Germany	41.5
Luxembourg	40.7
Below EU-28 average (40.3%)	
Netherlands	39.2
Croatia	38.6
Slovenia	37.9
Hungary	37.6
Portugal	37.2
Czechia	36.2
Poland	36.1
Spain	35.4
United Kingdom	35.1
Below 35% threshold	
Slovakia	34.3
Cyprus	33.8
Estonia	33.0
Malta	32.7
Latvia	31.4
Lithuania	30.5
Bulgaria	29.9
Romania	27.1
Ireland	23.0

Source: Taxation: Eurostat Online database: gov_10a_taxag.

Table 6 EU-28 Total Taxation as % of GDP (2018) and Social Investment Approaches

Taxation to GDP ratio 2018		Social Investment Approach
Above EU-28 Average		
France	48.4	Group 1*
Belgium	47.2	Group 1
Denmark	45.9	Group 1
Sweden	44.4	Group 1
Austria	42.8	Group 1
Finland	42.4	Group 1
Italy	42.0	Group 3***
Greece	41.5	Group 3
Germany	41.5	Group 1
Luxembourg	40.7	Group 2**
Taxation below European Union (EU-28) average: 40.3%		
Netherlands	39.2	Group 1
Croatia	38.6	Group 3
Slovenia	37.9	Group 1
Hungary	37.6	Group 2
Portugal	37.2	Group 2
Czechia	36.2	Group 3
Poland	36.1	Group 2
Spain	35.4	Group 2
United Kingdom	35.1	Group 2
Below 35% threshold		
Slovakia	34.3	Group 3
Cyprus	33.8	Group 2
Estonia	33.0	Group 3
Malta	32.7	Group 2
Latvia	31.4	Group 3
Lithuania	30.5	Group 3
Bulgaria	29.9	Group 3
Romania	267.1	Group 3
Ireland	23.0	Group 2

Source: Taxation: Eurostat Online database: I gov_10a_taxag. Approach to Social investment: Bouget et al 2015.
* **Group 1**: Has well established social investment approach to many social policies; tend to have good linkages between different policy areas when addressing key social challenges

** **Group 2**: Still to develop an explicit or predominant social investment approach, while showing some increasing awareness in a few specific areas
*** **Group 3:** Social investment approach has not made many significant inroads into the overall policy agenda

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

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

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

5.3 Taxation - Conclusion

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

There is considerable variation between member states in the EU in respect of total taxes as a proportion of GDP. The highest ratios tend to be found in the 'old' 15 members of the EU. Thus, the highest levels are found in France (48.4), Belgium, Denmark, Sweden, Austria and Finland. At the other end of the scale were Ireland (23 per cent), Romania, Bulgaria, and Lithuania. Overall, the range is broad with a difference of 25.4 pps between the country with the lowest ratio (Ireland) and that with the highest (France).

Amongst the countries with the highest total taxation ratios relative to GDP are some considered the most competitive in the world: Germany, Sweden and Denmark are amongst the world's ten most competitive countries and Finland was ranked 11th (World Economic Forum 2018). These are countries that also tend to score highly at protecting their populations from poverty or social exclusion and they tend to be more equal societies in terms of incomes.

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

6 Alternatives: Some Issues for Discussion

Social Justice Ireland has for some time argued (see, most recently, Clark and Kavanagh 2019) that some measures used to pursue economic growth (policies and values) are often barriers to social progress and environmental sustainability. As discussed in the introduction to this report, there is a widespread acknowledgment that the policies pursued following the economic crisis of 2008 were unhelpful and simply wrong in economic terms. Alternatives are clearly needed. Increasingly policy analysts and international agencies are promoting a more direct approach to address these issues rather than pursuing the old strategy of economic growth with the hope that the benefits will trickle down to eradicate poverty, protect the environment and promote social inclusion (Clark and Kavanagh 2019). Put simply, a rising tide does not lift all boats.

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'. Good social protection systems are vital not only to social wellbeing but also to economic development. As we mentioned in the introduction to this report, some lessons are being drawn from the impact of the 2008 crisis and the way it was handled, OECD emphasising investment and policy coherence, which involves looking at how a range of different approaches to policy impact on overall well-being of a country's citizens and more broadly on the world (OECD 2016a,b). The European Commission has noted that:

- the best performing Member States in economic terms have developed more ambitious and efficient social policies, not just as a result of economic development, but as a central part of their growth model (European Commission 2016b);
- countries providing high quality jobs and effective social protection as well as investment in human capital proved more resilient in the economic crisis (European Commission 2015).

During and following the crisis years, the political discourse at European level focused on fiscal consolidation and economic recovery as well as on protecting the euro. People in many countries affected by the economic crisis followed by harsh austerity policies that followed associate this with the European Union. Meanwhile talk of an economic recovery has yet to be experienced amongst many groups in Europe and the EU's efforts to create a more socially just Europe have not been as comprehensive, visible or as effective.

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

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

6.1 Right to Sufficient Income

Debates about how to achieve adequate income often involve discussions of (1) minimum wage, and, increasingly, the living wage, (2) minimum income schemes, and (3) basic income schemes. We will briefly discuss each of these approaches. As noted already in this report, new forms of employment, and associated gaps in access to social protection and lower incomes, may put a growing number of people at higher risk of poverty and social exclusion, which requires that social protection systems ensure access to adequate protection for all persons in employment, including various types of self-employment and non-standard working (Social Protection Committee 2018).

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. According to the International Monetary Fund (2016), minimum wage policy typically aims to improve income distribution and it may also have important implications for economic efficiency.

Twenty-two out of 28 EU countries apply a generally binding statutory minimum wage and that others set one by way of sectoral collective agreements (Eurofound 2016a). However, the IMF points to non-compliance being widespread in both advanced and emerging economies; they instance, for example, a report from the U.K. which found that 11 per cent of workers in the social care sector were paid less than the minimum wage (Low Pay Commission 2014 cited in IMF 2016).

There are different opinions on the usefulness of minimum wages, one criticism being that they only apply to those in paid employment, not self-employed or those doing family work or caring (International Labour Organization, 2013). Despite limitations, the International Labour Organization has concluded that they remain a relevant tool for poverty reduction. Also, the International Monetary Fund has suggested that governments should consider broadening minimum wage coverage where it does not currently include part-time workers (Hong *et al.* 2017). They do so in the context of addressing the issue of why falling unemployment rates have not resulted in wage growth (in other words, why isn't a higher demand for workers driving up pay). In **Section 3** of this report we quoted from a Eurofound report (2019a) which highlighted the case of Germany in 2015 where in contrast to several other countries wages increased among the lowest-paid employees as a result of the introduction of a minimum wage (Eurofound 2019a). It is notable that this beneficial effect of the minimum wage policy seems to have come with no significant impact on employment (Eurofound 2019a).

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

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

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

The Living Wage idea is not a new one. However, support is growing for it and research on it is expanding. The U.K's Living Wage Foundation web site suggests that there are nearly 6,000 Living Wage Employers in the UK, including more than one third of the FTSE 100 and household names including Ikea, Aviva, Nationwide and Everton FC.. While small businesses are usually perceived as having fewer resources available and thus to be less able to afford to pay higher wages, research from the U.K suggests that private sector SMEs constitute over half of all accredited Living Wage employers (Werner and Lim 2016). SMEs that have adopted a living wage perceive benefits related to employee motivation and productivity, staff retention, employee relations and ability to attract high quality staff as well as benefits for business reputations (Werner and Lim 2016). It is interesting to note that the SMEs concerned were operating in so-called low-waged sectors such as hospitality, retail, social care and manufacturing in England, Wales and Scotland.

Minimum Income Schemes

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

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

This is welcome, but this requires political will and involvement of a range of stakeholders to make it effective.

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

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

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

As mentioned already, a new EU Directive (2019/1152) seeks to ensure that all workers, including those on atypical contracts, benefit from more predictability and clarity as regards their working conditions. Arguable it does not go far enough and does not, for example, prohibit zero-hours contracts (Piasna 2019). More effective solutions are still needed to secure a higher number of guaranteed paid hours and less variable work schedules and to address abusive forms of flexibility (Piasna 2019).

Basic Income Schemes

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

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

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

a. it is being paid to individuals rather than households;

b. it is paid irrespective of any income from other sources;

c. it is paid without requiring the performance of any work or the willingness to accept a job if offered.

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

Amongst its advantages is lack of stigma - there is nothing stigmatising about benefits given to all as a matter of citizenship, something that cannot be said, even with well-designed processes, about benefits reserved for 'the needy, the destitute, those identified as unable to fend for themselves' (Van Parijs, 2000). So it helps to overcome the problem of non-take-up of benefits, something observed in some EU countries (Eurofound, 2015). It also removes unemployment traps because it does not cease if someone takes up employment – one is bound to be better off working as you can keep the basic income and earnings on top of it - and it incentivizes increasing one's income while employed. It promotes gender equality also because everyone is treated equally and it respects forms of work other than paid work – like work in the home or informal caring. It is also considered more guaranteed, simple and transparent than current tax and welfare systems (Healy *et al,* 2012).

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

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

A range of countries and cities have introduced basic income schemes (or partial schemes) or are considering doing so. A partial basic income system has existed for decades in the US state of Alaska financed by taxes paid on oil produced in the State. In 2012 The World Bank identified 123 Basic Income systems in various parts of Sub-Saharan Africa (Garcia and Moore, 2012). In California, preliminary results from a relatively small scheme in Stockton, California giving 125 low-income residents $500 per month suggests that they are mostly spending it on food, clothes, and utility bills (not frivolous items as argued by critics of such schemes) (Samuel 2019).

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

Healy and Reynolds (2016) conclude that for many decades, the European social model has been offering its citizens a future that it has failed to deliver and that it is time to recognise that current policy approaches are not working and that an alternative is required. They suggest that a Universal

Basic Income system has the capacity to be the cornerstone of a new paradigm that would be simple and clear, that would support people, families and communities, that would have the capacity to adapt to rapid technological change in a fair manner, that would enable all people to develop their creativity and could do all of this in a sustainable manner.

6.2 Right to Meaningful Work

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

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

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

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

Valuing All Work

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

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

Jobs Guarantee Schemes

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

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

Amongst those championing the idea is the Centre of Full Employment and Equity, University of Newcastle, Australia. Based on an analysis across countries, they argue that the private sector has always only been able to employ around 77 per cent of the labour force; unless the public sector provides jobs for the remaining workers seeking employment, unemployment will remain high[15] (Centre of Full Employment and Equity, n.d.). 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[16]. It also results in a multiplier effect from the contributions to the economy of the workers concerned (Centre of Full Employment and Equity, n.d.). 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, n.d.).

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

Job creation schemes have been implemented in different parts of the world, some narrowly targeted, others broadly-based. Examples include, the 1930s American New Deal which contained several moderately inclusive programmes; a broad based employment programme existed in Sweden until the1970s; Argentina created *Plan Jefes y Jefas* that guaranteed a job for poor heads of households; and India also has a scheme (Wray 2009). The EU Youth Guarantee scheme, in which member states committed to ensure that all young people up to the age of 25 receive a high-quality offer of a job, an apprenticeship or a traineeship within four months of becoming unemployed or leaving formal education is an example of a partial jobs guarantee scheme. While a potentially valuable initiative, one problem that arises in schemes such as this, often introduced

15 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.

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

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 proposed a rebalancing of work and time involving a new industrial and labour market strategy to achieve high-quality and sustainable jobs for all, with a stronger role for employees in decision-making and a gradual move towards shorter and more flexible hours of paid work for all, aiming for 30 hours (4 days) as the new standard working week (Coote *et al* 2010).

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

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

Investment

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

Following the economic crisis with unemployment – including youth unemployment and the relative share of long-term unemployment - still high in some countries, there is a need for policy-makers to consider investment on a sufficiently large scale to create growth required to generate the jobs. In this context it is of interest that the OECD has recommended a stronger collective policy response to economic challenges, including a commitment to raising public investment to support future growth and make up for the shortfall in investment following the cuts imposed across advanced countries in recent years (2016b).

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

It should be possible for the European fiscal governance rules to accommodate and indeed to encourage, when appropriate, investment of this nature as a basic tool of economic policy within the capacity of governments. The activation of the general escape clause of the Stability and Growth Pact announced by the European Commission is welcome[17]. However the continued focus on prudent fiscal positions, albeit in the medium term, risks saddling member states with the economic consequences of Covid-19 for decades to come.

The European Social Model is needed now more than ever. A large increase in direct public spending and investment is one of the most effective tools available to European countries to address the current crisis. At a European level immediate, urgent and large-scale responses with a well-planned investment programme and decisive and ambitious actions to mitigate the economic downturn and protect the most vulnerable is required. This must be based on the European Social Model. The Stability and Growth Pact and the fiscal rules must not inhibit Member States from doing the large scale investment that a post Covid-19 recovery requires. The fiscal rules must support investment at national level, not inhibit it.

6.3 Right to Access to Quality Services

Access to high-quality services is an important aspect of social protection, contributing to 'inclusive growth', a main objective of the Europe 2020 strategy. At least five types of welfare systems are recognised as operating in Europe[18] and change happens all the time (Abrahamson, 2010). General trends that have been observed include expansionism (from the 1950s to the 1970s) followed by uncertainty and challenge associated with neo-liberalism and a newer trend, which can be described as 'productivist' (Taylor-Gooby, 2008). The 'productivist' approach, called a 'new social investment state' is promoted by the EU and the OECD and emphasises social investment with a desire to maintain the range of mass services but with pressure for cost-efficiency (Taylor-Gooby, 2008).

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

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

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

Securing Adequate Investment? Support for social investment in recent decades is based on the aspiration of men and women of all socio-economic backgrounds to be employed and to raise children. Consequently, they have been willing to provide the investment required to provide services capable of making that possible. In difficult economic times, however, there is more and more scrutiny of social spending. This danger that social spending will become more marginal is exacerbated in the Eurozone because national and EU monetary authorities have very little room for manoeuvre. The emphasis

17 https://ec.europa.eu/info/sites/info/files/economy-finance/2_en_act_part1_v3-adopted_text.pdf

18 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).

is on addressing and reducing deficits, which will continue to starve social provision of the financing required for ongoing development. There is a strong risk that support for social investment will decline. This situation is worsened as electorates seem to forget that the crisis of recent years originated in the excesses in deregulated financial markets, not in excess welfare spending. This leads to a rejection of welfare spending because they misunderstand it as being the cause of the crisis which it wasn't.

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

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

While it is considered that there is now more scope for private and civil society to be involved in service provision, the state is still in charge of regulation and to a large extent also in the financing of social entitlements (Abrahamson, 2010). In relation to the private sector, the European Commission notes that there needs to be encouragement to use the potential of social investment more through on-the-job training, in-house childcare facilities, health promotion and family-friendly workplaces (2013a).

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.

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.

6.4 Other Key Issues

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

Representation

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

Fortunately, the most recent European quality of life survey suggests a general improvement in quality of society indicators between 2011 and 2016, including a decline in feelings of social exclusion, an increase in participation in clubs, societies or associations, and increased trust in

national institutions (Eurofound 2017c). However, at that survey notes, the rising tide of the post-crisis recovery has not lifted all citizens equally and improvements are often more limited for some groups including for low-income groups. Perceptions of tensions –between ethnic or racial groups, and between religious groups – was more common in 2016 than before the crisis, with a significantly negative impact on trust in institutions. Furthermore, perceived insecurities related to income, accommodation (Eurofound 2019c), and employment are increasingly recognised and often widespread, with negative impacts on well-being and on trust (Eurofound 2019c). While levels of trust and social cohesion have recovered in the EU as a whole since the period of financial crisis, in nearly half of all Member States the average trust in national institutions was lower in 2016 than before the crisis (Eurofound 2019c).

As we have mentioned already, public services are found to be *positively linked to trust as* perceived quality of public services is a key driver for higher trust in institutions (Eurofound 2019c). Thus, Eurofound argues for more attention to be given to growing feelings of unfairness (between countries, regions and groups), particularly with respect to access to quality public services and for the value of public participation in the co-design of services (Eurofound 2019c).

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

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

Sustainability

The latest UN report on emissions (United Nations Environment Programme 2019) presents some very stark findings, including that on current unconditional pledges, the world is heading for a 3.2°C temperature rise, and that unless global greenhouse gas emissions fall by 7.6 per cent each year between 2020 and 2030, the world will miss the opportunity to get on track towards the 1.5°C temperature goal of the Paris Agreement. Technologies and policy knowledge exist to cut emissions, but transformations must begin now (United Nations Environment Programme 2019).

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. As *Social Justice Ireland* argues elsewhere, narrow thinking about economic growth leads to policies that only promote one aspect of what can be called sustainable social progress and wither ignores or harms other aspects – so what is needed is a view of prosperity that is inclusive of all and is socially and environmentally sustainable (Clark and Kavanagh 2019).

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

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

Chapter 7

7 Summary, Conclusions and Recommendations

7.1 Summary of Findings

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

Poverty and Income

The review set out in this report shows how the Europe 2020 target set in 2010 of taking 20 million people out of **risk of poverty or social exclusion** is likely to be missed by a very wide margin. Europe has only reduced the number by about 6 million people (EU27) (see footnote[19]).

Table 7 EU-28 Key Poverty Indicators 2008 and 2018

Poverty Indicators								
	People at risk of poverty or social exclusion		People at risk of poverty (60% threshold)		People experiencing Severe Material Deprivation		People in households with very low work intensity	
EU-28	Number	%	Number	%	Number	%	Number	%
Total population								
2008**	116m	23.7	80.9m	16.6	41.5m	8.5	34.6m	9.2
2018	110m	21.9	86.2m	17.1	29.7	5.9	32.4m	8.8
Children (under 18)								
2008**	25m	26.5	19.2m	20.4	9.3m	9.8	7.3m	7.8
2018	22.9m	24.3	19.17	20.3	6.2m	6.6	6.9m	7.4
Older people (over 65s)								
2008**	19.2m	23.3	15.6m	18.9	6.1m	7.5	n/a	n/a
2018	18.3m	18.6	15.6m	15.9	4.6m	4.7		

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

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

The risk of poverty or social exclusion rate affected over 116 million people in 2008, a figure that rose in subsequent years but has improved each year since 2012. However, the average rate stood at 21.9 per cent in 2018 (EU-28) representing more than one in 5 Europeans or over 110 million people (Eurostat online database code t2020_50). This indicates how far away from a reduction of 20 million people affected Europe is. Thus, despite recent improvements, there is reason for concern about a range of issues and the length of time that high levels of poverty or social exclusion have persisted is unacceptable in human and societal terms. There are also indicators that depth of hardship for those affected has increased slightly (between 2008 and 2017) (Eurostat 2019a). Groups facing a higher risk of poverty and social exclusion include single households, migrants and people with lower education as well as their children.

In 2018, the highest rates of poverty or social exclusion were to be found in Bulgaria, Romania, and Greece where the rates were above 30 per cent. In 4 other countries (Latvia, Lithuania, Italy and Spain) the rate was over 25 per cent. The lowest rates were found in Czechia (12.2 per cent) followed by Slovenia, Slovakia and Finland.

Even though there have been welcome improvements in the most recent year in some countries with typically high rates, there continues to be great divergence between countries. Between 2017 and 2018, disimprovements in the poverty or social exclusion rates were observed in several countries including, notably, the UK (+1.6 percentage points) and also in some countries with traditionally relatively low rates such as Finland and France. The greatest improvements occurred in the newer accession states of Bulgaria, Hungary, Romania, and also in Greece.

It is notable that those countries identified by the European Social Policy Network as having a well-established approach to social investment (mainly Nordic and central European countries) tend to do well at protecting their populations from poverty or social exclusion relative to other countries with a less well developed social investment approach.

The **risk of poverty rate**, a measure or relative income poverty, suggests that in 2018, 17.1 per cent of the population (EU-28) was living at risk of poverty (over 86 million people), and that considerably more people were affected in 2018 than in 2008 (in 2008 the rate was 16.6 per cent, affecting 80.9 million people EU-27) (Eurostat online database, code t2020_52). Other indicators showed more improvement - the average EU-28 rate of **severe material deprivation** was 5.9 per cent in 2018, representing approximately 29.7 million people, down from a rate of 6.6 per cent in 2017 (and representing over 33 million people). It is a positive development that there have been improvements in this indicator in recent years.

Children (those under 18): Like other reports in this series, this report highlights again how ongoing high levels of poverty or social exclusion amongst children is one of the most challenging and serious issues faced by Europe. The rate of poverty or social exclusion that children experience continues to be higher than for the general population and about one quarter of children in Europe are affected. Thus, children who are considered to be **at risk of poverty or social exclusion** numbered nearly 23 million in 2018 or 24.3 per cent (EU-28 average) (Eurostat online database, code ilc_peps01). Levels of **severe material deprivation** have, fortunately, improved for children in recent years, but there are also some reasons for concern, because the rates still remain at very much higher levels than in 2008 in some countries (notably, Greece and Cyprus).

In short, poverty in all its forms still affects far too many children and childhood poverty remains a pressing problem because of its long-lasting effects on society and on the lives of individuals. A range of interventions are necessary to address this situation including access to affordable quality early childhood education and care, along with well-designed work-life balance policies.

Older People: The situation of older people varies greatly as between countries, with very high levels of income poverty and material deprivation especially in newer accession countries and also in some Mediterranean countries. The European average rate for **poverty or social exclusion** amongst those aged 65+ was 18.6 per cent in 2018 (representing 18.3m people). This was a slight increase on the 2017 rate (18.2 per cent) but it represents a relatively large increase in numbers (+766,000 people approximately). The rate was higher for those aged 75+ (20 per cent) (Eurostat online database, code ilc-peps01).

The average **severe material deprivation** rate for this age group showed improvement during the year 2017-2018 – falling to 4.7 per cent (representing approximately 4.6 million people aged 65+, EU-28) (Eurostat online database, code ilc_mddd11). This is an encouraging sign. However, many more older women than older men are affected by all aspects of poverty. These issues are significant for policy-makers (as well as for the individuals concerned) given that populations are ageing at an unprecedented rate and that there are many more older women than older men and they tend to have poorer pension provision (see EU Social Protection Committee 2018).

Working Poor: In 2018, 9.5 per cent of employed people (aged 18+) were living under the poverty threshold (EU-28) and the average rate (that is, the in-work poverty rate) has been at similar levels since 2014 and was still higher than it was in 2008 (Eurostat Online database, code ilc_iw01). Thus, in 2018 almost 10 per cent of employed people in the EU live in poverty. They amounted to an alarming 20.5 million people (in 2017) (Pena-Casas et al 2019). Some groups are particularly affected (including younger people, people with lower education levels, and non-standard workers, poor households with children including lone parents). It is concerning that limited policy attention is paid to this group and they were not, for example, included within the groups for which poverty reduction targets were set in the Europe 2020 Strategy.

When **income inequality** is examined there are concerns overall about increases over time and substantial differences between countries in Europe. In 2018, while in some countries (notably Nordic, some central European countries and some peripheral countries), the rich earned around four times as much as the poor or less, in other countries, notably, Bulgaria Romania and Lithuania, the value was above 7.

The highest levels of **median disposable income** occur in Scandinavian, central and western European countries, the lowest in other newer accession members and there are very great variations in the levels. While, within the past year (2017-2018), median disposable income has increased in almost all Member States, levels for, especially, Greece and also Cyprus were still lower than they had been in 2008 (Eurostat ilc_di03).

Financial distress (defined as the need to draw on savings or to run into debt to cover current expenditures) has gradually declined since 2014. However, the greatest distress is being experienced by the lowest income quartile (or lowest 25 per cent) and also by the second quartile (lowest 50 per cent). In August 2019, it was recorded at 23.1 per cent for the lowest-income quartile and at 14.6 for the second quartile.

Overall, while there have been some improvements in the latest years (2017-2018) in several indicators and for key groups, Europe is still far off-track in relation to meeting its poverty reduction targets. The social indicators suggest little improvement for very many people living in Europe, with dis-improvements for some groups in several countries. These include older people in some countries, an issue that particularly affects older women. Those working who still live in poverty is another group to be concerned about and this issue now affects a greater proportion of people than it did in 2008. The position of children, in particular, while improved somewhat continues to be strikingly negative for very many children with potentially very serious long-term consequences. Thus, a rising tide has yet to lift all boats.

Employment

As in previous reports in this series, we welcome the fact that employment has continued to increase in the EU since 2013. It is very important that this opportunity is taken to make the most of this positive economic momentum and deliver on new and more effective rights.

However, while still improving, the employment rate has not increased at the anticipated rate and may not quite attain the Europe 2020 strategy target of 75 per cent by 2020. There are significant variations in the employment rates in different countries.

Countries, especially in central and northern Europe, have exceeded the Europe 2020 strategy target, while other countries, especially in the south and periphery, are very far away from achieving it. The lowest employment rates in 2018 were found in Greece, Italy, Croatia and Spain (looking at ages 20-64). Some countries still have rates of employment that are a good deal lower than in 2008 – this is very notable in Greece and Cyprus.

There are also concerns about the way that the employment picture is evolving– especially regarding growth in temporary, part-time and precarious work and falling or stagnating wages. Another issue is that employment recovery is not reaching all regions equally, as employment growth has been much stronger in the capital city regions of countries (Eurofound and the European Commission 2019).

In 2018, the annual unemployment rate (EU-28) was 6.8 per cent (representing 16.8 million people) (Eurostat une_rt_a). The numbers concerned were still marginally higher than the number of unemployed people in 2008 (Eurostat une_rt_a). The countries with the highest rates in 2018 were Greece (19.3 per cent), Spain and Italy.

Fortunately, the long-term unemployment rate is continuing to fall in the first quarter of 2019 (to 2.7 per cent), but it still affected about 6.65 million people (Eurostat online database une_ltu_q; data not seasonally adjusted). Those unemployed for 2 years or more represented over 4 million people (Q1, 2019). The share of long-term unemployed as a percentage of total unemployment was 40.8 per cent in the first quarter of 2019 (Eurostat online database lfsq_upgal). In 2008 it had been lower (38.8 per cent) (Q1). Thus, long-term unemployment continues to be a concern with implications in human and social terms and with financial costs and possible impacts on social cohesion. Greece, Bulgaria, Slovakia and Italy had the highest shares of long-term unemployment in quarter 2, 2019. The lowest ratios were found in Finland followed by Sweden and Denmark.

Both older and younger workers experience lower employment rates than other age groups. Becoming unemployed at an older age means being more likely to remain so and to experience long-term unemployment (International Labour Organization, 2018).

Focusing on youth unemployment (those under 25), in 2018, the average EU-28 rate decreased to 15.2 per cent, representing 3.4 million people (as a % of active population) (Eurostat online database une_rt_a). In July 2019, youth unemployment stood at 14.9 per cent in the EU, 0.7 percentage points lower than in the same month of the previous year (European Commission 2019b). In spite of a significant decrease, Greece is still the country with the highest youth unemployment rate (33.0 per cent), followed by Spain (32.1 per cent) and Italy (28.9 per cent).

A related area of concern involves young people who are neither in education nor employment (known as NEETS). The EU-28 average NEET rate (ages 15-24) was 10.5 per cent in 2018, only marginally lower than the 2017 rate (Eurostat edat_lfse_20). Thus, while there have been welcome improvements in youth unemployment within recent years, the situation of young people is still difficult especially for some groups and in some countries.

Overall, despite very welcome improvements in employment in the EU, there are significant ongoing issues and challenges ahead that require policy responses. The relative improvements of recent years should lead to action to address the problems that still exist and to anticipate future challenges.

Education

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

Improvements in the average (EU-28) rate of early school leaving since 2008 are welcome, as is the fact that (at 10.6 per cent) the average is now close to the <10 per cent target set in the Europe 2020 strategy. But the average rate has not decreased to any extent in the most recent years – so progress has stalled. In 2018 the highest rates were to be found in Spain (17.9 per cent), Malta, Romania and Italy (14.5 per cent). There is still a very great gap between the countries with the highest rates, and that with the lowest rate, Croatia (with a rate of 3.3 per cent). Because its consequences for individuals and for society are so grave in terms of increased risk of unemployment, poverty and social exclusion, this is an issue that requires ongoing attention from policy-makers and a renewed effort will be needed to meet the Europe 2020 target.

For third level attainment, the target set in the Europe 2020 strategy was that at least 40 per cent of 30-34 year-olds would complete third level. In 2018, the EU-28 average was 40.7 per cent so the target has been reached. This is an area showing large improvements since 2008 when the average rate had been 31.1 per cent. In 2018, five countries had with rates at or over 50 per cent. However, there is nearly a 33 percentage point gap between the country with the highest rate (Lithuania) and that with the lowest (Romania) (2018).

When we look at lifelong learning, relatively very low rates of participation in many EU countries represents a lost opportunity both for individuals and for societies and economies. At 11.1 per cent, the average rate is higher than it had been in 2008 (9.5 per cent) but in recent years increases have only been marginal – so the fact that the rate is stagnating is unfortunate given that basic skills are lacking for so many people and much remains to be done to improve adult literacy in many countries. Clearly, the EU is not on target to reach the lifelong learning target (15 per cent average) set in the ET 2020 strategy. There is great variation across Europe in terms of the rates of participation. Nordic countries tend to top the table; in 2018 the top three countries were Sweden, Finland and Denmark followed by Estonia, the Netherlands, France and Luxembourg. At the other end of the scale, the rate was lowest in Romania, Bulgaria and Croatia.

One of the problems that Europe now faces is that progress not only needs to continue to be made to address the areas in which targets were set in the Europe 2020 strategy, but also to manage other issues such as low basic skills amongst disadvantaged socio-economic groups. Ongoing attention is required to issues of literacy and numeracy across all age groups. Certain countries tend to be better performers across several or all education indicators. These include, in particular, Finland, Sweden, Denmark, the Netherlands.

Health

Overall, the quality of healthcare is high in the EU. There has been a welcome downward trend in the average perception of unmet need for health care across the EU in recent years (due to problems of access: online database hlth_silc_08). However, the perception is different between different income groups, and, as in previous years, in 2018, it was least perceived in the top income earners and most amongst the lowest earners. Unfortunately, as between 2017 and 2018, there has been a slight increase in the average rate and in the perception of unmet need in the lowest two income groups (quartiles 1 and 2) and it is to be hoped that this trend does not continue

There also continues to be great variation in these perceptions across different countries. Ten Member States have a key challenge as concerns access to health care, based on self-reported unmet needs for medical care due to cost, waiting time, or distance (Czechia, Estonia, Greece, Finland, Hungary, Ireland, Italy, Lithuania, Latvia and Poland) (Social Protection committee 2018).

In one cross-country comparison, the health systems of the Netherlands, Denmark, Belgium, Finland, Luxembourg, Sweden, France and Germany were the top performers (amongst EU countries) (European Consumer Powerhouse 2018).

Several indicators we reviewed suggest that there have been improvements in respect of access to, and perceptions of quality of, health services in recent years, and this is welcome. But, unfortunately, in several countries, participants rated the quality of health services less favourably in 2016 than in 2011 (Latvia, Slovenia, Cyprus, Greece, U.K. and Belgium) (European Quality of Life Survey, Eurofound 2017c).

Certain groups continue to experience particular health difficulties and need a particular policy focus, and inequalities still need to be addressed as disparities, such as in life-expectancy, continue to be great between socioeconomic groups. Some of the groups whose needs have been recently highlighted include younger people at risk of mental health (such as those with chronic health problems, living in rural areas and not in education or employment), older people in central and eastern Europe, and a diverse group with incomes above a threshold that would entitle them to state support (Eurofound 2019c).

Taxation

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

There is considerable variation between member states in the EU in respect of total taxes as a proportion of GDP. The highest ratios tend to be found in the 'old' 15 members of the EU. Thus, the highest levels are found in France (48.4), Belgium, Denmark, Sweden, Austria and Finland. At the other end of the scale were Ireland (23 per cent), Romania, Bulgaria, and Lithuania. Overall, the range is broad with a difference of 25.4 pps between the country with the lowest ratio (Ireland) and that with the highest (France).

Amongst the countries with the highest total taxation ratios relative to GDP are some considered the most competitive in the world: Germany, Sweden and Denmark are amongst the world's ten most competitive countries and Finland was ranked 11th (World Economic Forum 2018). These are countries that also tend to score highly at protecting their populations from poverty or social exclusion and they tend to be more equal societies in terms of incomes.

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

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

7.2 Conclusions and Recommendations

As we stated in the introduction to this report, for *Social Justice Ireland* seven core rights need to be part of the vision for the future of Europe: right to sufficient income to live with dignity, to meaningful work, to appropriate accommodation; to relevant education, to essential healthcare, to real participation and the right to cultural respect. For *Social Justice Ireland* economic development, social development and environmental protection are complementary and interdependent – three sides of the same reality - and we have long argued that all three must be given attention rather than allowing economic considerations to dominate. Unfortunately, in Europe, economic issues are still allowed to dominate social issues, officials are perceived as at a distance from poor people, and this, unfortunately, is corrosive of trust in the whole European project and is capable of being exploited by certain politicians. Leadership at EU level in relation to vulnerable groups is critical not just to the future economic and social outlook but also to the democratic future of Europe.

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 such as those of the Europe 2020 strategy and the European Pillar of Social Rights in the economic processes of the European Semester. For example, the priorities of Annual Growth Surveys should focus on long-term social objectives, and on building adequate, effective social systems that include both investment and protection dimensions and are better aligned to the EU Social Investment Package. This could be facilitated by:
   - Making the European Pillar of Social Rights enforceable through legislative initiatives and turning it into a strategic tool to influence EU macroeconomic governance.
   - Supporting efforts to promote growth and jobs while meeting deficit reduction targets in

the medium rather than the short term.
- Taking account of the social impact when making Country Specific Recommendations, especially those requiring fiscal consolidation measures.
- Making country-specific recommendations that seek to achieve reductions in poverty and unemployment where rates are high or rising.

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

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

4. **Monitor and Address poverty amongst sub-groups such as children, young people, older people and working poor.** Child poverty is such a serious issue that it requires further action as does the issue of young people neither in employed nor in education (NEETS). Monitor implementation of the Commission's Recommendation on Investing in Children through a strengthened process and work with member states with high levels of child poverty to help them access and deploy structural funds to address the issue. The ageing of Europe's population, the fact that there are many more women than men in this group, and the very great differentials between countries make poverty amongst older people (especially in some countries) an issue that requires more attention now and in the future. The situation of those who work and still live in poverty needs to be tackled as a matter of urgency.

5. **Focus on Youth Unemployment:** Youth unemployment continues to be a serious problem despite Youth Guarantee schemes and there is a need to recognise that young people experiencing multiple disadvantage are likely to need support over a lengthy period.

6. **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.

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

8. **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.

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

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

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

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

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

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

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

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

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

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

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

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

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

12. **Commit to appropriate regional strategies** that ensure that investment is balanced between the regions, with due regard to sub-regional areas, aiming to ensure that rural development policy is underpinned by goals of social, economic and environmental wellbeing.

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Glossary

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

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

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

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

Eurostat – the statistical office of the European Union

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

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

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

NEET rate - The indicator on young people neither in employment nor in education and training

(NEET) corresponds to the percentage of the population of a given age group not employed and not involved in further education or training (Eurostat, explanatory text, Code:yth_empl-150)

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

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

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

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

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

Statistical Issues

Time lag: The main source of comparable data on poverty and social exclusion, the EU Survey on Income and Living Conditions (EU-SILC), has a significant time-lag. Most of the data available for this report relates to 2018, 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 per cent of the national median (or middle) equivalised disposable income (after social transfers) (Eurostat, t2020_50)[20].
(2) people severely materially deprived have living conditions severely constrained by a lack of resources; they experience at least 4 out of a list of 9 deprivation items (See Glossary for the full list). (Eurostat, t2020_50), or
(3) people living in households with very low work intensity are those aged 0-59 living in households where the adults (aged 18-59) work less than 20 per cent of their total work potential during the past year (Eurostat, t2020_50).

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

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

20 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%.