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EUROPEAN RESEARCH SERIES

Europe: The Excluded Suffer while Europe Stagnates

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

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Social Justice Ireland
2017

First Published January 2017

Published by
Social Justice Ireland
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PREFACE

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

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

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

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

We hope that this report can make a timely and significant contribution to the launch of the consultation on a European Pillar of Social Rights. The aim of the European Pillar of Social Rights is to take account of the changing realities of Europe’s societies and the world of work. 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 had little positive impact on social aspects of policy that it is meant to address. Of

particular significance is its total failure to reduce poverty or to even make any progress towards reaching the target set. The European Union is strong on rhetoric but weak on delivery where the social aspects of policy are concerned. Failure to deliver on social aspects of policy, in particular on reducing poverty and long-term unemployment and improving access to quality services, will have major implications for the future of the EU as it will strengthen the growing conclusion that it is not a democratic project but is, rather, focused on delivering outcomes that favour the economically powerful.

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

Social Justice Ireland would like to thank 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

The financial crisis from 2008 led to the sharpest contraction of European economies since the Great Depression. In 2009, for example, the economic output in the countries of the European Union shrank by 4.5 percent, the largest reduction in GDP since its creation (Sundaram *et al* 2014). The crisis led to a rapidly dis-improved social situation across Europe in which millions of people lost their job. This, and a range of austerity measures, led to increases in poverty and social exclusion, growing inequalities and divergences between countries. In more recent years there has been some recovery but in the aftermath of the crisis Europe is facing serious economic, social and political problems. It has been said that:

What originally has been a financial crisis has transformed into a social crisis. But Europe's response to this challenge has been weak (Nicolas Schmit, Minister of Labour, Employment and the Social and Solidarity Economy of Luxembourg, 2016:11).

The social situation in Europe is the issue with which this report is concerned. In this section we outline briefly the background to the economic crisis, its aftermath and the European response to it.

1.1 Background

The background to the global economic crisis is associated with bad regulation and bad financial practices in the United States, which in turn affected the entire world. These practices can be linked to attempts to maintain and to boost demand in an economy in which poorer people were encouraged to keep borrowing and spending and which led to a massive debt finance bubble (Stiglitz 2009). The financial crisis has raised deep questions about the role of the financial sector and its impact on growth and income distribution (Cournede *at al*, 2015). The economic ideas, models and policies used prior to 2008 are acknowledged by many now to have been wrong or seriously flawed (see, for example, the OECD's New Approaches to Economic Challenges, OECD, 2015c; and Skidelsky 2016). Amartya Sen and other distinguished figures pointed out that what began as a clear failure of the market economy (particularly associated with financial institutions) was soon interpreted as a problem of the overstretched role of the state leading to a prioritisation of austerity policies (2015). Thus austerity became seen as the dominant priority of the financial leaders of Europe (Sen 2015). As the crisis spread a series of measures were adopted including

- **Consolidation and Adjustment**- reducing deficits throughout the EU through fiscal consolidation along with lending to distressed countries with requirements to undertake structural adjustment programmes and austerity policies;

- **Fiscal Supervision** - creating supervisory structures to enable the European Commission and other member states to monitor the budgets of individual states through new fiscal governance mechanisms, and the enshrining of fiscal rules into the law of each member state through the Fiscal Compact.

The new governance provisions seek to limit budget deficits to no more than 3% of GDP (within that to target a structural deficit of below 0.5%), which means that governments now have little scope to slow the pace of consolidation or to undertake investment policies that support growth. This limits the scope for Keynesian-style strategies to combat recession and thus penalises or rules out the use of some of the most effective weapons in any governmental toolkit for combating unemployment in a recession. The economic justification for the current EU approach remains hugely contested. For example, despite claims that austerity would not harm growth – in fact would *boost* growth, in line with expansionary fiscal contraction theories – various critical and non-mainstream scholars and economists pointed out from as early as 2010 that it would trigger an all-out recession and kill the fragile post-crisis recovery, which is arguably what happened (Fazi 2016).

Another policy was to bolster the Euro currency and to ensure that no bank should fail as this risked collapsing the European financial system. A 'no bond holder left behind' policy resulted in a massive socialisation of the debt accumulation of private banks in the peripheral countries – meaning that citizens were forced to adopt the debts accrued by financial institutions. The ongoing lack of acknowledgement that creditors and debtors alike contributed to the crisis and are responsible for their actions makes the situation even more difficult for many debtor countries. This has led to a situation where a perception of a democratic deficit at the heart of the EU has been reinforced and citizens of many countries experience a sense of powerlessness.

Budgetary consolidation, economic recovery and protecting the euro became the dominant political priorities in Europe. By contrast, efforts to create a more socially just society 'have remained rather feeble, at least as perceived by the general public' (Schraad-Tischler Kroll, 2014: 85). Austerity policies and structural reforms pursued during the crisis had negative effects on social justice in most countries (Schraad-Tischler Kroll, 2014). The union, especially the currency union, seemed to become a question of signing up to rules, as if central bankers and not the elected representatives of member nations should make the fundamental decisions in any kind of democratic confederation (Mazower 2015).

Against this backdrop people affected both by the economic crisis of 2008 and by subsequent austerity measures have become disenchanted with the European project in many countries. The European elections in May 2014 confirmed voter discontent across Europe with mainstream politicians, with the rise of Eurosceptics, populists and the far-right and also for anti-establishment parties from the left. Opposition to austerity policies was most visible in Greece throughout 2015. In 2016 disenchantment with the European project (albeit from a range of different, sometimes contradictory, perspectives) has been given its most visible expression with the Brexit vote in Britain. Christian Kern, the Federal Chancellor of Austria, has described the Brexit vote as both an 'expression of a crisis and, at the same time, a sharpening of that very crisis' (Kern, 2016).

The EU Commission President, Jean-Claude Junker, in his opening statement to the European Parliament in July 2014 acknowledged that during the crisis mistakes were made, that there was a lack of social fairness and that democratic legitimacy suffered. More recently

there have been other directions pursued by Europe's policy-makers. In 2015 the European Central Bank launched a programme of quantitative easing[1] designed to stimulate the economy by encouraging banks to make more loans. Many other central banks had already done this during the recession. In December 2015, the quantitative easing programme was expanded: the €60 billion monthly purchases are now intended to run until the end of March 2017, 'or beyond, if necessary', according to ECB President Mario Draghi (European Parliament 2016a). The aim is to combat deflationary tendencies. The Commission launched the European Fund for Strategic Investments (EFSI) aiming to mobilise investments in the real economy of at least €315 billion over three years (2015-2017).

Sen (2015) argues that the austerity approaches adopted both deepened Europe's economic problems, and did not help in its objective of reducing the ratio of debt to GDP to any significant extent – in fact, sometimes quite the contrary. Sen concludes that if things have started to improve over the past few years (albeit slowly), it is mainly because Europe has now started to pursue a hybrid policy of somewhat weakened fiscal austerity with monetary expansion. He concludes that 'If that is a half-hearted gesture towards Keynes, the results are half-hearted, too.' Sen is also critical of the policy leaders of Europe for not allowing more public discussion, which he argues might have prevented policy errors through the standard procedures of deliberation, scrutiny and critique.

1.2 The Crisis and its Aftermath

The European Union is considered to have not yet recovered from the global financial crisis (European Parliament 2016a). Some of the social consequences of the crisis (such as in family formation, fertility and health) will only be felt in the long term caused by things such as cut-backs on essential spending by families on food, which is detrimental to their current and future well-being (OECD, 2014).

According to the European Commission's Social Protection Committee review of 2015, looking at developments since 2008 and the beginning of the Europe 2020 strategy, the situation has worsened considerably for most social areas as a result of the economic crisis, despite signs of recent improvement (the Social Protection Committee 2015b; 2016). The Committee uses a series of indicators (called the social protection performance monitor or SPPM) to assess social outcomes in Europe. Amongst the negative trends they highlight since 2008 are increase risk of poverty or social exclusion and falls in living standards (as evidenced by rises in severe material deprivation against a background of declines in real gross household disposable income), increased income inequality (in 12 member states) and a rise in the depth of poverty (with the poverty gap up in 16 member states). They also highlight strong signs of youth exclusion with significant increases in the NEET (that is, young people neither in employment or education) rate and the youth unemployment ratio in around three-quarters of member states. Other indicators they highlight include increased long-term exclusion from the labour market, an increased share of children at risk of poverty or social exclusion (8 member states) and increases in self-reported unmet need for medical care (9 member states) (The Social Protection Committee 2016).

[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)

Again looking back to 2008, the EU member states with the most worrisome outcomes – in terms of showing a significant worsening in the greatest number of social indicators - are Greece, Slovenia, Cyprus, Spain, Italy, Ireland and Hungary (all registering deterioration in 11 or more indicators) (the Social Protection Committee 2016). At the other end of the scale, Austria, United Kingdom, Belgium, the Czech Republic and Finland have registered significant deterioration on 4 or fewer indicators.

As we discussed in last year's report in this series, an issue that the crisis of 2008 and the subsequent years has highlighted is the significant shares of unemployed people not covered by standard safety nets, such as unemployment benefits or social assistance income or schemes of 'last resort'– even in some of the 'older' countries of the EU. A European Commission study shows that well-established minimum income schemes are not the norm in Europe; out of 30 European countries, only 15 have comprehensive and accessible schemes (European Commission 2015c). Greece, Italy and Bulgaria are amongst the countries with very limited, partial or piecemeal schemes which fail to cover all those in need of support.

While the Europe 2020 Strategy is focused on achieving high levels of employment, productivity and social cohesion, it is well recognised that social cohesion is declining or at least under new pressure (Eurofound and Bertelsmann Stiftung 2014). As we noted in the last report in this series, this is due not only to the economic and employment crisis but also due to longer-term trends such as growing inequality, immigration and increased cultural diversity and also increasing social disparities in relation to issues of poverty, labour market access, health and equitable education. The OECD has noted recently that at the same time as the world economy shows little sign of making a full recovery from the crisis, geopolitical uncertainty is rising highlighted by events during the past year such as the escalation of the refugee crisis in Europe, and the terrorist threat that has manifested itself so tragically in Paris, Brussels and elsewhere (2016b).

In its latest Interim Economic Outlook (February 2016), the OECD expresses alarm about the global economy's and euro area's sluggish pace of recovery (OECD 2016c; European Parliament 2016a) Thus the economy has entered a period of stagnation, with real GDP growth in 2016 more or less at the same low level as in 2015. According to the OECD, with few exceptions, economies are not recovering but facing another year of stagnation. In the euro area, GDP growth is expected to pick up only slowly with investment remaining weak and unemployment remaining high.

The OECD recommends a stronger collective policy response in order to strengthen demand, including a commitment to raising public investment collectively to boost demand while remaining on a fiscally sustainable path. Investment spending can have high knock-on effects, while quality infrastructure projects would help to support future growth, making up for the shortfall in investment following the cuts imposed across advanced countries in recent years

While the employment situation is now improving, the issue of poor quality jobs and unequal access to the labour market has to be addressed, and unemployment levels remain far too high in some European countries (OECD 2016a). The effect of the crisis on young people's employment has been marked. In 2013 some 23.5 per cent of young people (aged 15-24) across the EU were unemployed, which was the highest level ever recorded in the history of the EU (Eurostat quoted in Eurofound 2016). There have been improvements since

then but despite overall improvement, youth unemployment remains high in many member states, especially in southern and Mediterranean countries. The OECD warns that low-skilled youth who are disconnected from both employment and learning risk being left behind in the labour market (2016a).

The European Union has set specific goals in the area of social policy and we will look at these below and in the rest of this report. However, it is argued that despite the formulation of specific social policy objectives at the EU level – for example, the goals of the Europe 2020 strategy– there is as yet no integrated EU strategy that consistently and comprehensively combines the two key objectives: growth *and* social justice (Schraad-Tischler Kroll, 2014).

1.3 EU – Some Key Social Policy Responses

A key response to the economic crisis has been the adoption by the European Council of the Europe 2020 Strategy in 2010, which set out to develop a more balanced and sustainable approach for the future and was designed to address the economic and financial crisis that had wiped out 'years of economic and social progress', while also exposing what were considered to be structural weaknesses in Europe's economy (European Commission 2010). The strategy was seen as a major step forward in the development of EU policymaking, because it recognised the importance of social issues and opened the way for a more coordinated approach to economic, social, employment and environmental governance (Frazer *et al.* 2010). The strategy committed member states of Europe to work toward targets in a range of areas including on poverty and social exclusion, employment and education – and established an agreed set of indicators designed to measure progress toward meeting those targets.

In 2008, the European Commission's recommendation on active inclusion set out common principles and guidelines for a comprehensive strategy based on three integrated pillars: adequate income support, inclusive labour markets and access to quality services (2008). Adopted in 2013, the European Commission's Social Investment Package again 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 acting as economic stabilisers. The European Commission argues that addressing excessive inequality in Europe requires adequate levels of social investment, investment in lifelong learning, and social expenditure that is more responsive to the economic cycle (that is, periods of growth and periods of recession) and integrated welfare reforms supported by well-functioning labour markets (2015a). This reflects what Claus Offe indicated more than a decade ago - that maintaining popular support for the European project, requires that the EU must be able to present itself to citizens as a credible institution of protection against economic insecurity and not as a threat to care, cohesion and solidarity (2003).

We will return to what is meant by 'social investment' below, but first refer to other initiatives undertaken, which include efforts to address issues such as the inadequacy of safety nets in some countries. In 2011, the European Parliament called on the European Commission to launch a consultation to explore initiating legislation to provide a sensible guaranteed minimum income system across Europe. The European Commission is also working on a common methodology for developing reference budgets (which define the basis of a basket of goods/services considered necessary to reach an acceptable standard of living in a given country) (European Commission 2015b). This work could provide the basis

for the European Commission and Member States to agree on common criteria for establishing what constitutes an adequate minimum income to lift people out of poverty and to lead a decent life compatible with human dignity and thus for a more coordinated approach to these issues across Europe (Frazer and Marlier 2016).

The European Pillar of Social Rights is the European Commission's latest major initiative in the field of employment and social affairs announced by President Juncker in September 2015. It is intended to strengthen the Economic and Monetary Union by strengthening its employment and social aspects and is understood as official recognition that the reactions to the Eurozone crisis neglected the EU's social dimension. In March 2016, the Commission published a preliminary outline of the Pillar, which is now undergoing consultation. The outline released by the Commission for consultation contains principles for equal opportunities and access to the labour market, for fair working conditions and for adequate and sustainable social protection that could become a European reference framework for monitoring and benchmarking (European Commission 2016). While many welcome this initiative in principle for addressing important social policy issues, the consultation draft has also been criticised. One criticism is that it that it fails to provide for social rights rather than guidelines and principles (Poulou 2016) and formulates some of its principles vaguely and lacks clear-cut indicators to measure and compare the social performance of member states (Sanden and Schluter 2016). Others are that its legal status is unclear and consequently that its effects may be insignificant, that it subordinates social policy principles to the primacy of fiscal sustainability, and that it does not seek to confer any collective social rights (Seikel 2016). The Pillar represents a potentially important development, but this will depend on the form it ultimately takes.

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 in a social investment perspective, represents a "precondition" for future economic and employment growth. The Social Investment Package aims for quality employment for those who can work and for resources sufficient to live in dignity for those who cannot (European Commission 2013b). It refers to the use of European structural and investment funds for Member States in implementing the strategy set out in the package and for the monitoring of the adequacy of income support as part of the European Semester.

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

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

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. In many countries, a key factor in limiting the development, or in some cases leading to a decline in the development, of a social investment approach was the impact of the economic crisis and a policy environment dominated by fiscal consolidation policies with a primary aim of reducing public budget deficits (Bouget *et al* 2015). These experts grouped countries of the EU into 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	meaningfu l work	appropriat e accommod ation	relevant education	essential healthcare	real participati on	cultural respect

In the previous report in this series, we reviewed progress (or the lack of it) in key areas of social policy focusing especially on the period between 2008 and 2013. In this report, we principally aim to update the previous report and to present what is an annual review of these key areas.

In **Sections 2** to **4** of this report, we will discuss issues relevant to the realisation of some of these 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 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.**

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

2.

POVERTY, SOCIAL EXCLUSION AND INCOME INEQUALITY

Social Justice Ireland includes the right to sufficient income to live with dignity amongst its list of core rights that need to guide policy-making in the future. (For the full list, see **Table 2**, above.) The headline target set in 2010 in the 2020 Strategy was to reduce the number of Europeans living in or at risk of poverty or social exclusion by 20 million by 2020. In this section, we will take that as a starting point by referring to how Europe is progressing in relation to that target and we will also look at some further indicators of poverty/inequality as well as impacts on certain groups. We will finish this section by looking briefly at income inequality and at financial distress.

2.1 Poverty and Social Exclusion and other Measures - Adults

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

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

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

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

[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%.

Thus the combined 'poverty or social exclusion' indicator corresponds to the sum of persons who are at risk of poverty or severely materially deprived or living in households with very low work intensity. Persons are only counted once even if they are present in several sub-indicators. It is also possible to examine each of the indicators separately and we will do so in this report. In **Table 3** we set out a summary of the position relative to each of these indicators in 2008 and 2014 and we discuss each of them further below. The **Glossary** at the back of this report contains more detailed definitions of the indicators used in the EU 2020 Strategy.

Measuring and monitoring poverty and other social conditions can be a challenging process. The Social Protection Committee of the European Union has introduced a new instrument – the social protection performance monitor (known as the SPPM) – intended to build on the existing indicators and to contribute to monitoring the European social situation. It involves a dashboard of indicators designed to monitor trends that are both positive and negative – and in this report we will refer to some of these indicators also. The dashboard includes over 20 indicators (including those already discussed above and used to monitor the Europe 2020 strategy) that are broader than poverty/incomes and also take in issues like health, unemployment, housing cost over-burden, and early school leaving. For a full list of these indicators (which are not static and are designed to be capable of change) see **Glossary.**

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

We discussed social developments in Europe between 2008 and 2013 in last year's report in this series. One reference point we used was the Social Protection Performance Monitor, from the EU's Social Protection Committee, which reported how between 2008 and 2013, the countries with the most worrisome outcomes were Cyprus, Greece, Spain and Slovenia where there was deterioration in at least 15 of the indicators (2015). In a further 3 countries, Hungary, Italy and Ireland, deteriorations occurred in more than 12 of the indicators, But other countries, notably, Austria, the Czech Republic, Finland and Germany registered deterioration in far fewer of the indicators (4 or fewer).

Overall what we concluded was that, having set targets to reduce poverty and promote inclusion in 2010 in the Europe 2020 Strategy, Europe moved farther away in subsequent years from achieving those targets and countries were very divergent in their experiences. The **risk of poverty or social exclusion rate** (the combined indicator of poverty used in the Europe 2020 strategy) increased between 2008 and 2012 and showed a slight improvement since then.

Table 3 PEOPLE EXPERIENCING POVERTY, EU-28, 2008, 2013 and 2014

Poverty Indicators 2008, 2013, 2014								
	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	116.2m*	23.8*	81m*	16.6*	42.3*	8.5*	34.4m*	9.2*
2013	122.9m	24.6	83.4m	16.6	48.1	9.6	40.7m	10.9
2014	122.17m	24.2	86.2m	17.2	44.5	8.9	41.8m	11.2
Children (under 18)								
2008	25m*	26.4*	19.3m*	20.3*	9.4m*	9.8*	7.3m*	7.7*
2013	26.3m	27.7	19.2m	20.3	10.5m	11	8.9m	9.5
2014	26.2m	27.8	19.9m	21.1	9.8m	10.4	9.1m	9.7
Older people (over 65s)								
2008	19.2m*	23.3*	15.6*	19*	6.2m*	7.5*	n/a	n/a
2013	16.4m	18.2	12.35m	13.8	6.2m	6.9	n/a	n/a
2014	16.3m	17.8	12.6m	13.8	5.7m	6.2		

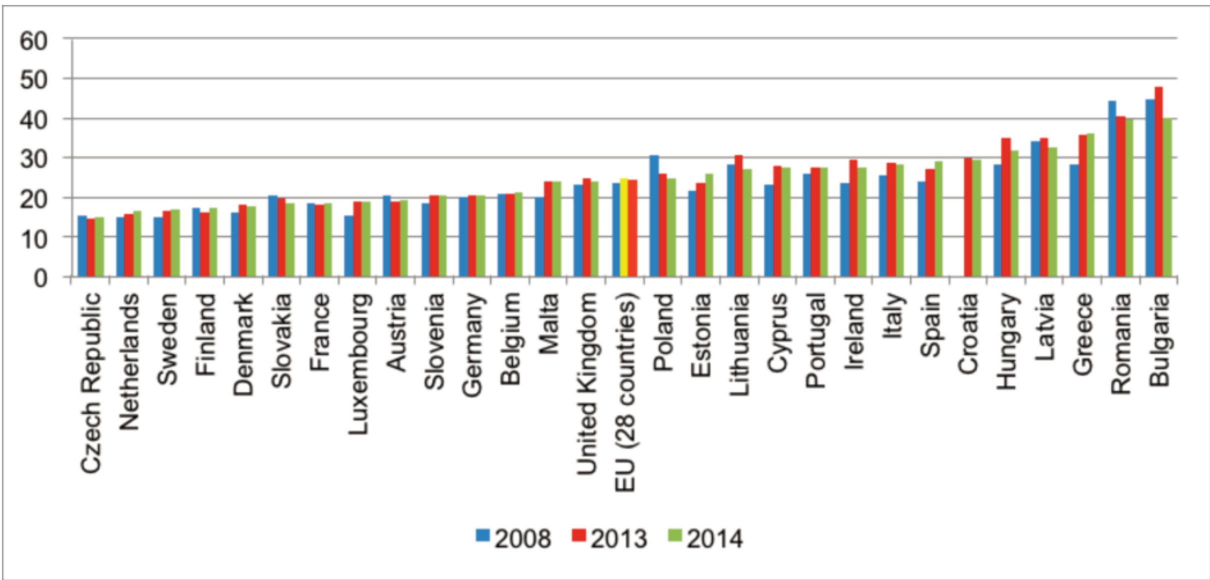
Source: Eurostat Online Databases: t2020_50, t2020_51, t2020_52, t2020_53,ilc_lvhl11, ilc_li02, Ilc_mddd11, ilc_peps01.
* relates to EU-27 countries, not EU-28, as this was prior to the accession of Croatia

In this report our main focus is on the period between 2013 and 2014 (the latest year for which comparable rates are available across Europe). Those experiencing poverty or social exclusion still amount to over 122 million people (EU-28) or 24.2 per cent of the population of the EU (that is, almost 1 in 4 people) (Eurostat online database code t2020_50). Despite a slight decrease in the rate each year since 2012, there has been an overall increase of approximately 6 million people affected since 2008 (in EU-28)[4].

In last year's report in this series, we discussed how the situation worsened in 19 member States (out of EU-27) between 2008 and 2013 and how, in the larger countries, very large numbers of people were affected. The countries that had substantially contributed to the increase in the numbers affected (2008 to 2013) were Italy and Spain, especially, and also to some extent Greece, Hungary and the United Kingdom (Social Protection Committee 2015a).

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

Figure 1 People at Risk of Poverty or Social Exclusion (%), EU-28, 2008, 2013 and 2014



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

There are very great divergences between the countries with the highest rates and those with the lowest. In 2014, the highest rates of poverty or social exclusion were to be found in Bulgaria (40.1 per cent) Romania (39.5 per cent), Greece (36 per cent), Latvia (32.7 per cent) and Hungary (31.8 per cent) the lowest in Czech Republic (14.8 per cent), the Netherlands (16.5 per cent), Sweden (16.9 per cent), Finland (17.3 per cent), and Denmark (17.9 per cent) (Eurostat, code: t2020_50). See **Figure 1**.

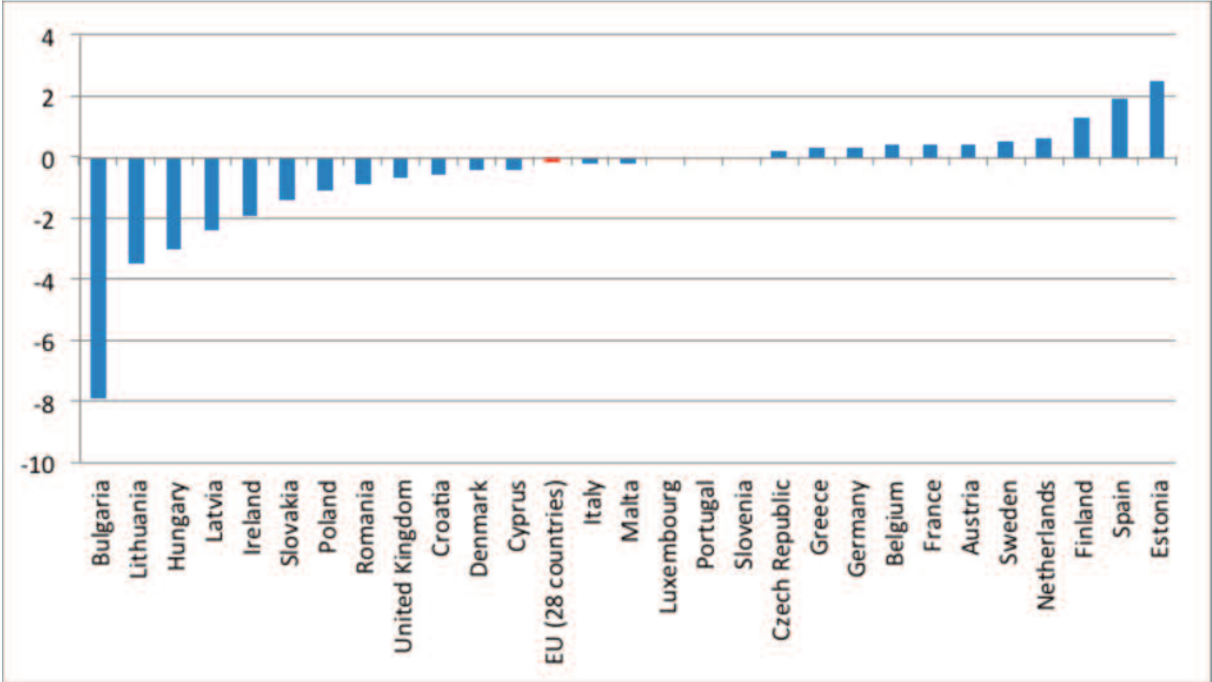
Between 2013 and 2014, the rate worsened in 11 member states (albeit, sometimes only marginally), improved in 14 countries (again only marginally in some cases) and remained static in 3 countries (Eurostat t2020_50). The greatest improvements occurred in the newer accession states of Bulgaria, Lithuania, Hungary and Latvia, and the greatest dis-improvements occurred in Estonia, Spain and Finland. In its latest Social Protection Performance Monitor, the European Commission's Social Protection Committee describes this situation as stagnating at a high level and requiring to be tackled urgently, and notes that no significant progress is being made towards achieving its Europe 2020 poverty and social exclusion target (Social Protection Committee 2016).

Going back for a moment to the review that we referenced in **Section 1**, above, of the extent to which countries take a social investment approach in their policies (Bouget *at al* 2015), we can also review the performance of countries in preventing poverty or social exclusion, in light of how well they are constituted in relation to social investment. All of the countries that are in Group 1 for social investment (identified by the European Social Policy Network as having a well-established approach to many social policies, Bouget *et al* 2015) and set out in **Table 1**, above, are ranked better than the EU average in terms of protecting people from poverty or social exclusion. These countries are Austria, Belgium, Germany, Denmark, Finland, France, Netherlands, Sweden and Slovenia. When it comes to how the countries that are in Group 3 in relation to social investment (that is, the social investment approach has made the least inroads into the overall policy agenda), it appears that in 2014, 8 out of ten of them have above average rates of poverty or social exclusion and several have the highest rates of poverty or social exclusion, including Bulgaria, Romania, Greece and Latvia.

In 2014 from Group 3 (with the least developed social investment approach), only the Czech Republic and Slovakia achieve rates of poverty or social exclusion lower than the EU-28 average. Czech Republic is an interesting case. Ranked as having the best (lowest) poverty or social exclusion rate, it is considered, in a Europe-wide review of social justice, to demonstrate merely middling economic performance, but to be relatively more effective at delivering fairness in society, illustrating how social policy plays a critical role in achieving social justice (Schraad-Tischler Kroll, 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 Kroll, 2015).

Figure 2 illustrates the changes in the poverty or social exclusion rates amongst EU countries between 2013 and 2014. Estonia and Spain are the countries showing the largest percentage point increases, and it is interesting to note that Finland and the Netherlands, with traditionally low rates, are amongst those showing some dis-improvement in their positions. The rate has fallen in other countries with overall high levels including in Bulgaria, Lithuania, Hungary and Latvia.

Figure 2 At Risk of Poverty or Social Exclusion, EU-28, PP Change in Rate, 2013 TO 2014



Source: Eurostat online database code: t2020_50.

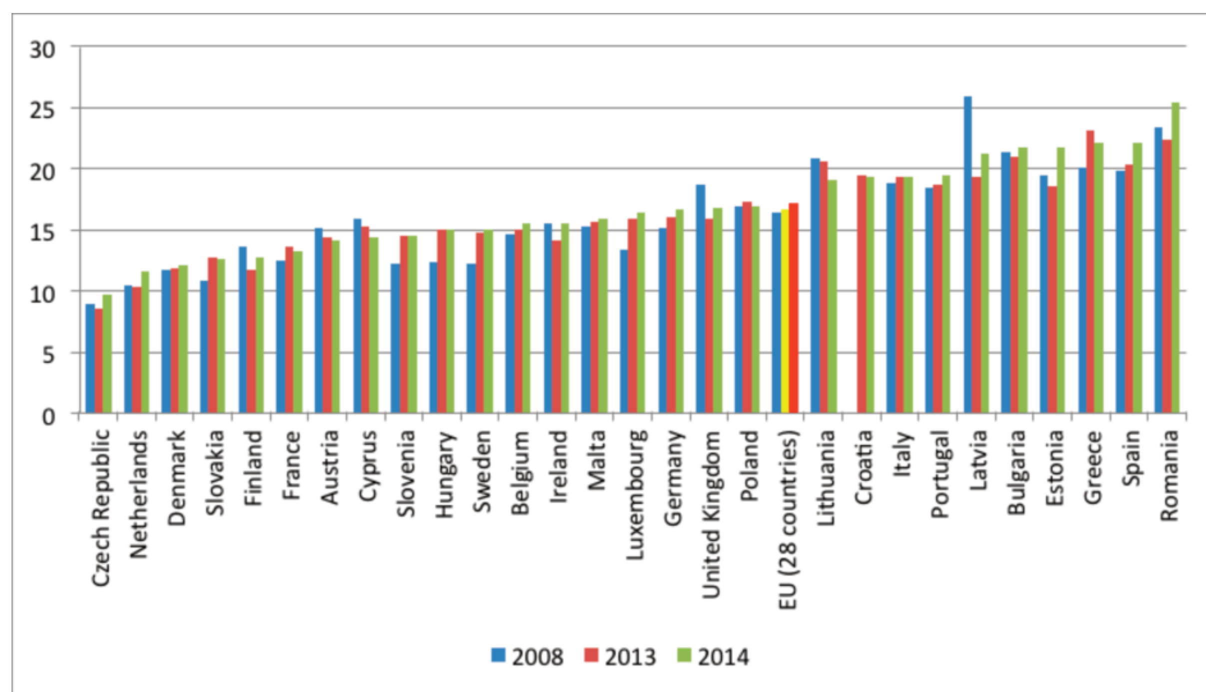
Below are some key statistics from a Eurostat analysis of those at risk of poverty or social

- More than 30 per cent of young people aged 18 to 24 and 27.8 per cent of children aged less than 18 were at risk in 2014.
- Almost 18 per cent of those aged 65 or over were also at risk in 2014.
- Of all groups examined, the unemployed faced the greatest risk of poverty or social exclusion, at 66.7 per cent in 2014.

- Almost 50 per cent of all single parents were at risk in 2014. This was double the average and higher than for any other household type analysed.
- 35 per cent of adults with at most lower secondary educational attainment were at risk of poverty or social exclusion in 2014. 63.8 per cent of children of parents with pre-primary and lower secondary education were at risk as well.
- In 2014, 40.1 per cent of adults born in a country outside the EU-28 and 24.8 per cent of those born in a different EU-28 country than the reporting one were at risk of poverty or social exclusion. For native citizens 22.5 per cent of the population was at this risk.
- EU-28 citizens in rural areas were on average more likely to live in poverty or social exclusion than those living in urban areas (27.2 per cent compared with 24.3 per cent) in 2014

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 EU-28, the numbers living at risk of poverty were 83.4 million in 2013 and this had increased by some 2.4 million people since 2008 when there were 81 million people affected (EU-27)[5] (Eurostat online database, code t2020_52). See **Figure 3**.

Figure 3 People at Risk of Poverty (%), EU-28, 2008, 2013 and 2014



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).

In 2014, 17.2 per cent of the people of EU-28 were living at risk of poverty (over 86 million people) while the 2013 rate had been lower at 16.7 per cent. The Social Protection Committee identifies an increase in this rate in many member countries between 2013 and 2014 as one of its 'negative trends' to watch (2016).

[5] The figures/rate not available pre 2010 for Croatia

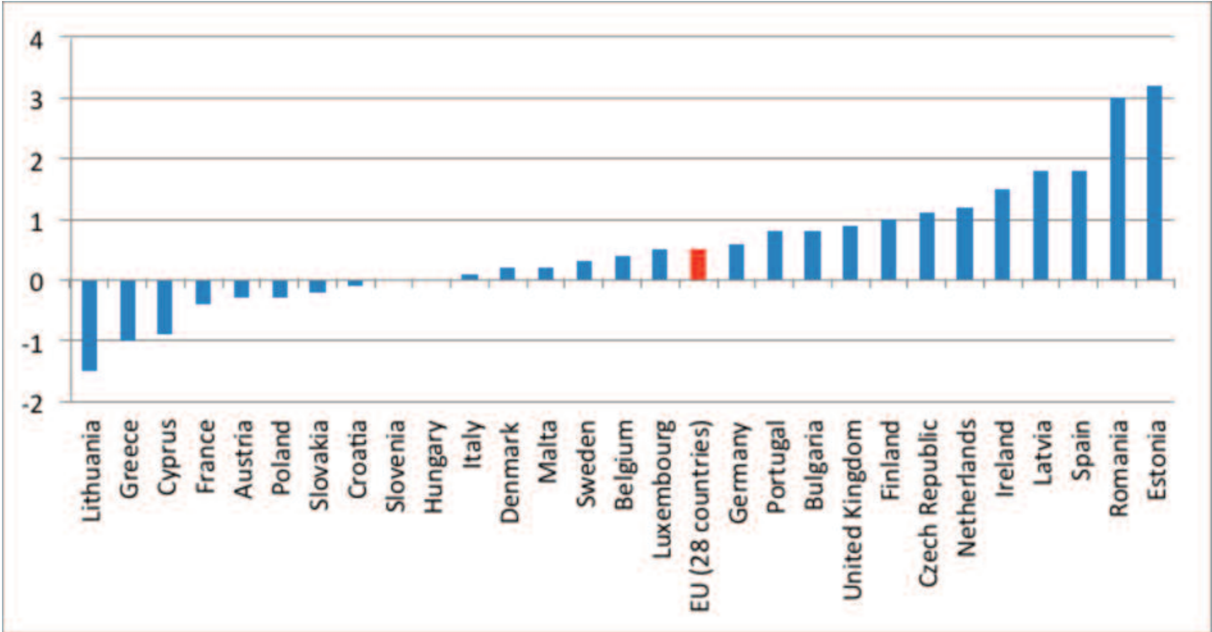
In 2014 in six member states, one fifth or more of the population was at risk of poverty, with the highest rates in Romania (25.4 per cent), Spain (22.2 per cent), Greece (22.1 per cent), Estonia and Bulgaria (both at 21.8 per cent) and Latvia (21.2 per cent); the lowest in Czech Republic (9.7 per cent), the Netherlands (11.6 per cent), and Denmark (12.1 per cent). Czech Republic and the Netherlands also had the lowest rates in 2013. Amongst EU15 (that is, when the newer accession countries are excluded), the highest rates were seen in Spain, Greece, Portugal and Italy.

Amongst households with dependent children, the highest at risk of poverty rate in 2014 in the EU-28 was recorded for single persons with dependent children, at close to one third (32.5 per cent) (Eurostat 2016a). Among households without dependent children, people living alone were most likely to be at risk of poverty, a situation faced by 25.1 per cent of single person households in 2014 (Eurostat 2016a).

When we look at their performance on the risk of poverty indicator in light of how well they perform in relation to social investment, 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) and set out in **Table 1**, in **Section 1**, above, are ranked better than the EU average in terms of protecting people from poverty or social exclusion (again, Austria, Belgium, Germany, Denmark, Finland, France, Netherlands, Sweden and Slovenia). By contrast several countries with the least developed social investment approach have the highest rates of poverty (including Romania, Greece, Estonia, Bulgaria and Latvia).

Figure 4 shows the percentage point changes in the risk of poverty rates between 2013 and 2014 for EU-28 countries. The risk of poverty indicator rose in 18 EU states and not only amongst the countries with traditionally high rates. The rate has increased most in Estonia, Romania, Spain and Latvia There were 8 countries where it decreased.

Figure 4 Risk of Poverty, EU-28, PP Change in Rate 2013 to 2014



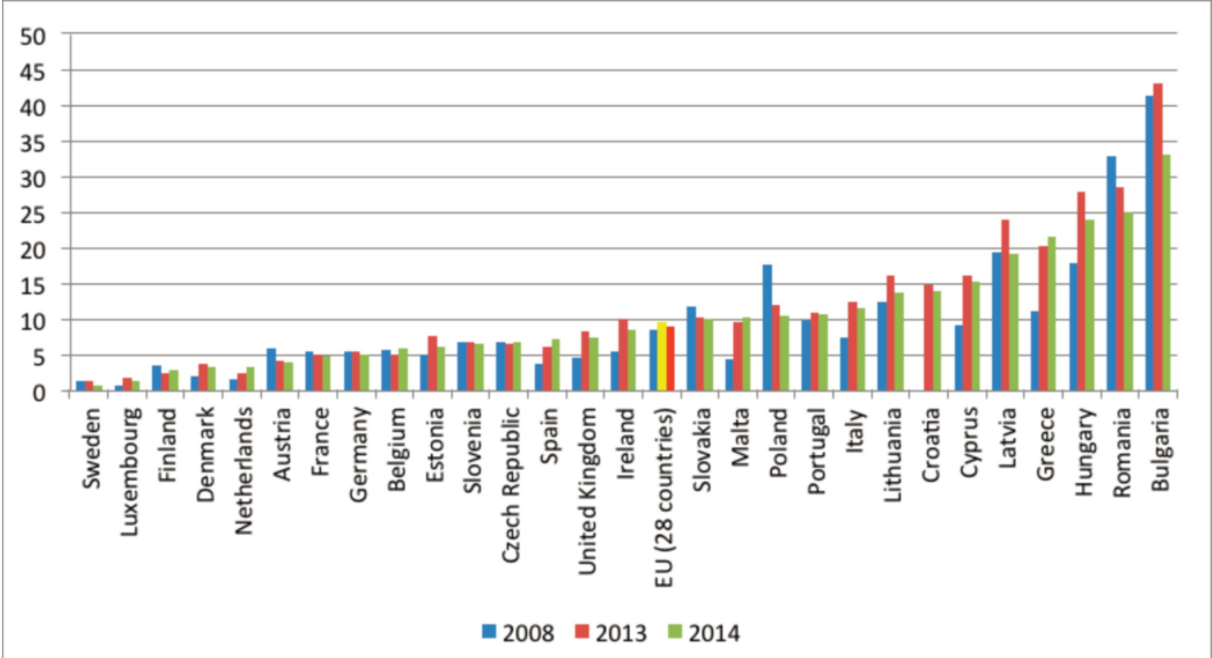
Source: Eurostat online database code: t2020_52.

One way of examining depth of poverty within those who are poor is to look at the proportion of those who are living below 40 per cent (as opposed to 60 per cent) of median incomes. Countries with relatively large shares of people living on incomes lower than 40 per cent of median incomes in 2014 included Romania, Bulgaria as well as southern European countries of Spain, Greece, Italy, Portugal and Croatia (Eurostat online database, ilc_li02). Between 2013 and 2014, this rate increased by half a percentage point in EU-28 indicating more people slipping into deep poverty. It represented more than 31 million people in 2014 – which is an extraordinary figure. Between 2013 and 2014 the largest increases in this rate occurred in Romania, Spain, Bulgaria, Estonia, and perhaps surprisingly, also in Germany.

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 the previous report in this series, some substantial increases occurred in the period 2008-2013. The numbers affected had increased since 2008 by close to 6 million people between 2008 and 2013 (Eurostat online database, code t2020_53). In 2014 rate of severe material deprivation was 8.9 per cent, down from the 2013 rate of 9.6 per cent. However, it still affected close to one tenth of the population of EU-28. As we prepare this report, and unlike the other indicators discussed in this section, Eurostat has published an average rate for this indicator in respect of 2015, which is 9.1 per cent, which suggests that the trend may be worsening again.

As **Figure 5** shows, there is great variation across EU-28 in relation to severe material deprivation, with very high levels in some countries, particularly amongst the newer members of the union, and very low rates in other countries. The rates in 2014 were highest in Bulgaria (33.1 per cent), Romania (25 per cent), Hungary (24 per cent), Greece (21.5 per cent) and Latvia (19.2 per cent); lowest in Sweden (0.7 per cent), Luxembourg (1.4 per cent), Finland (2.8 per cent) and Denmark and the Netherlands (both 3.2 per cent).

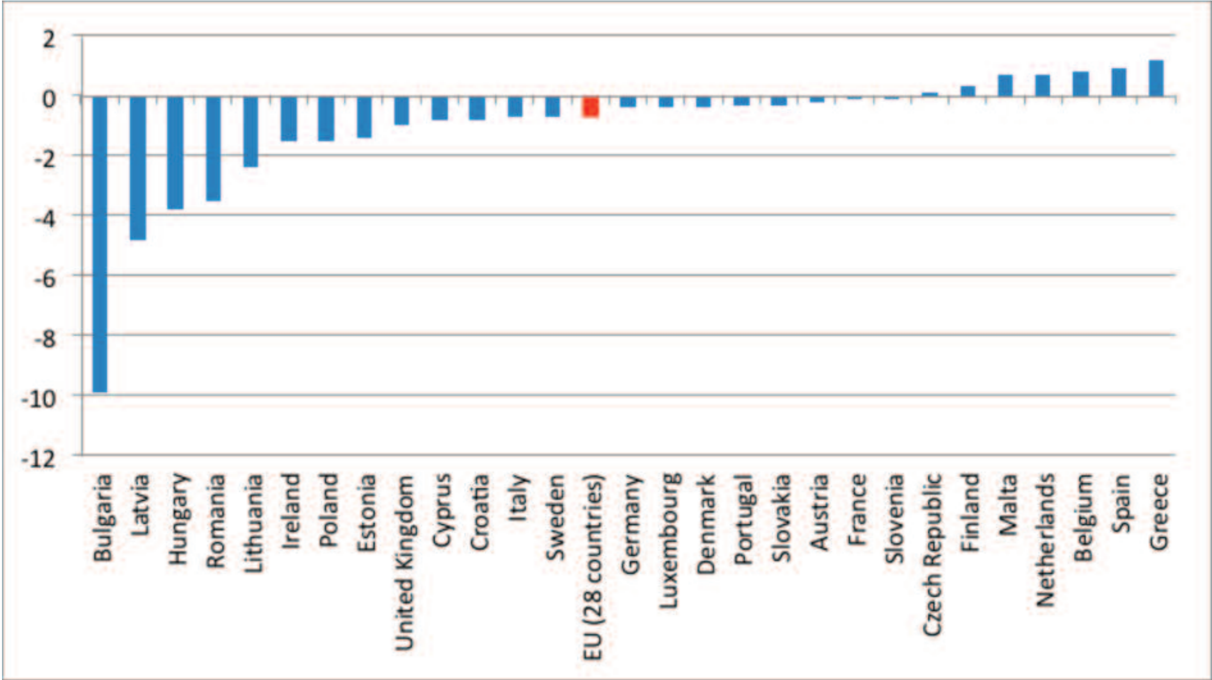
Figure 5 Severely Materially Deprived Persons, Rate (%), EU-28, 2008, 2013 and 2014



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

Figure 6 shows that the rate rose in 7 member states within the year 2013 to 2014 (albeit very slightly in some cases) and most of the countries concerned are within EU 15 – that is, 'old' members of the union. The greatest deteriorations in this rate between 2013 and 2014 occurred in Greece (1.2 percentage points), Spain and Belgium. The rate decreased in 21 countries, especially amongst the newer accession countries of Bulgaria, Latvia, Hungary, Romania and Lithuania which have relatively very high underlying rates.

Figure 6 Severe Material Deprivation, PP Change in Rate, 2013 to 2014



Source: Eurostat online database, code t2020_53.

The third and final measure of poverty - called **Very Low Work Intensity** – is used in the Europe 2020 Strategy to measure labour market exclusion. It takes account of those aged 0-59 living in households where the adults (aged 18-59) work less than 20% of their total work potential during the past year. In the previous report in this series we reported on the very significant increases in this measure between 2008 and 2013, something related to very great increases in unemployment since 2008. The rate was 9.2 per cent in 2008 (EU-27) but it had risen to 10.9 per cent by 2013 representing an increase of some 6.2 million people (Eurostat online database, code t2020_51). The rate increased again between 2013 and 2014: in 2014 it accounted for 11.2 per cent of the population and nearly 42 million people (up by approximately 900,000 people in the year). As in 2013, the highest rates were found in Ireland, Greece, Spain, Croatia and Belgium.

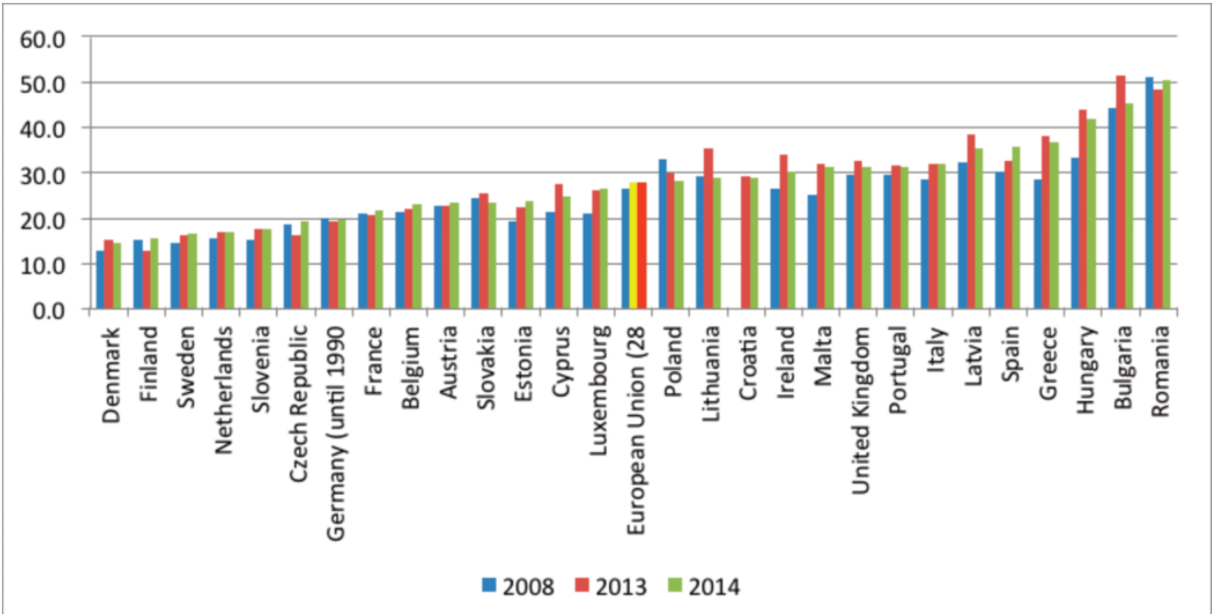
2.2 Poverty and Social Exclusion and other Indicators – Specific Groups

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

Children - Children have been strongly affected by the economic crisis. When we look at the position of children (under 18), those who are considered to be **at risk of poverty or social exclusion** numbered 26.5 million in 2012 and their numbers had increased by over 1 million since 2008 (Eurostat online database, code ilc_peps01). In 2014 the rate for children was 27.8 per cent – which is similar to the rate for 2013 (27.7 per cent). The levels had decreased slightly since 2012 but were similar to 2010 and 2011 levels. It represents over 26 million children.

There is great divergence in the rates across the EU. The highest rates again this year are, as in 2013, in the three newer accession countries of Romania, Bulgaria and Hungary, but the next highest rates occurred in Greece, Spain, Latvia, Italy and Portugal. Again this year, the lowest rates are in the Nordic countries of Denmark, Finland and Sweden with the next lowest rates in the Netherlands and Slovenia. See **Figure 7**. In some of these countries the percentage of children affected is very high indeed (over 40 per cent in Romania, Bulgaria and Hungary, and over 30 percent in 8 other countries).

Figure 7 Children: Poverty or Social Exclusion Rate (%), EU28, 2008, 2013 and 2014



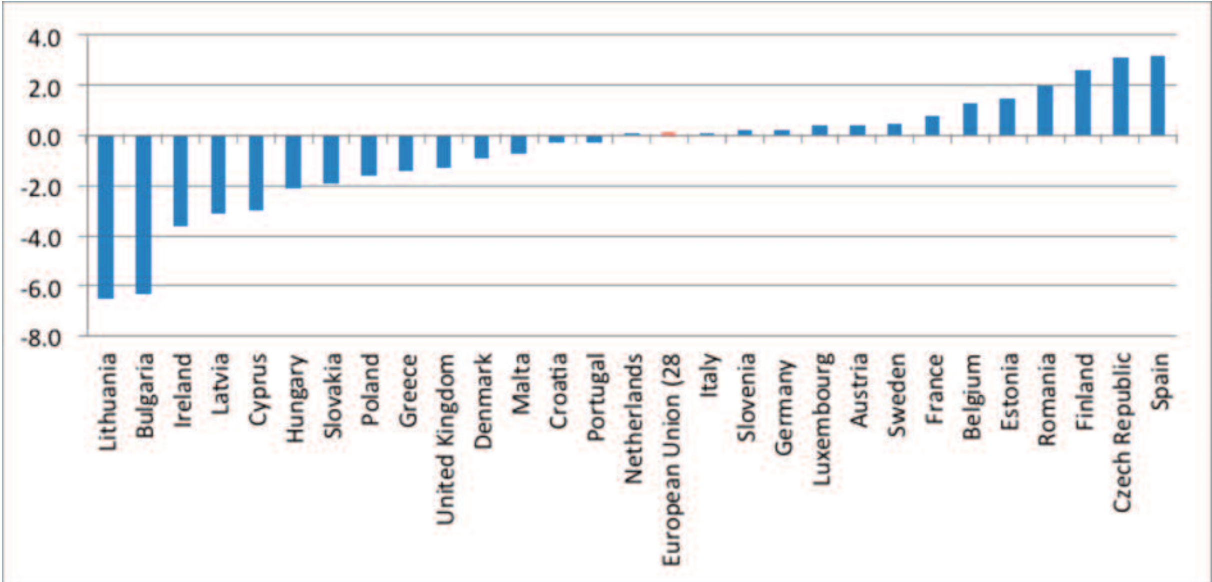
Source: Eurostat Online Database ilc_peps01. **Note**: Rate unavailable for Croatia for 2008; the EU rate for 2008 relates to EU-27 not EU-28.

This is an area identified by the Social Protection Committee as showing the greatest deterioration since 2008 (2016).

Figure 8 shows the percentage point changes in the rates of member states between 2013 and 2014. The greatest increase (3.2 percentage points) occurred in Spain. But Czech Republic and Finland, countries with relatively low overall rates, had increases of a similar magnitude (3.1 percentage points in Czech Republic and 2.6 percentage points in Finland).

Reductions in the rate occurred in fourteen countries, most significantly in Lithuania (-6.5 percentage points) and Bulgaria (-6.3 percentage points).

Figure 8 Children: Risk of Poverty or Social Exclusion, PP Change in Rate2013 to 2014



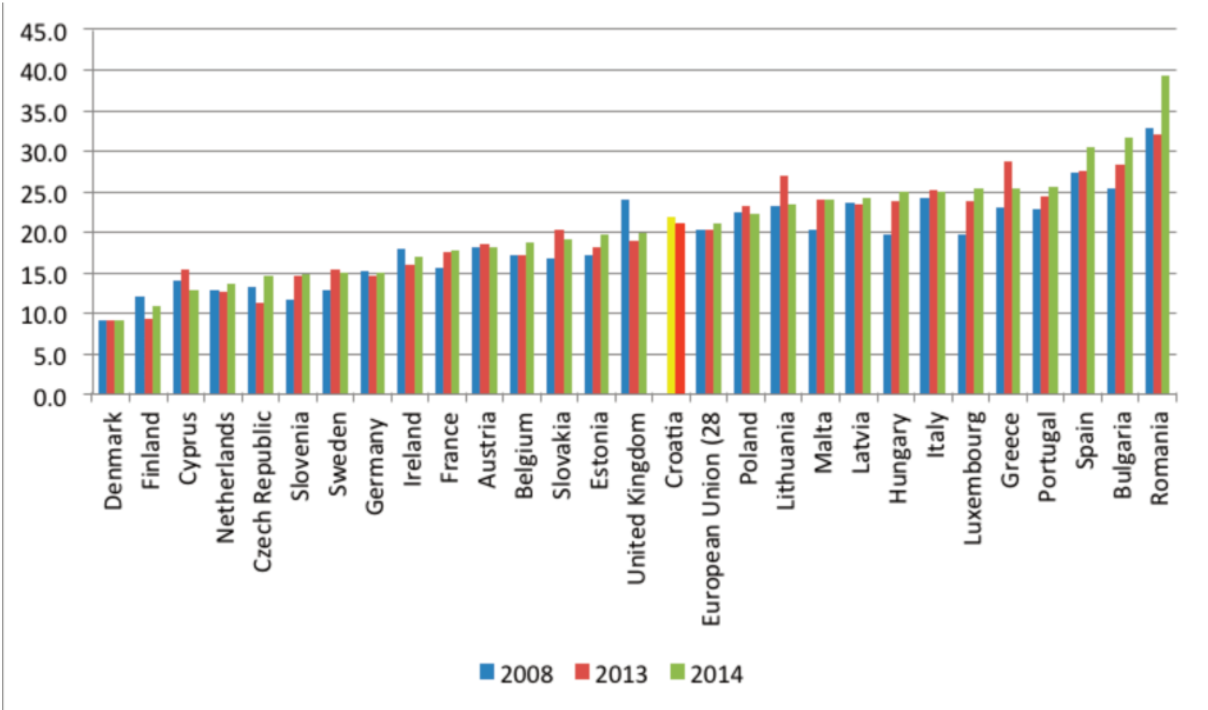
Source: Eurostat Online Database ilc_peps01

Taking the second indicator, children who are **at risk of poverty,** they numbered 19.9 million in 2014 and the rate amongst them was 21.1 per cent (Eurostat online database, code ilc_li02). The rate increased in the year since 2013 (when it was 20.3 per cent). It means that over one fifth of Europe's children are 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 2014, the rates were highest in Romania (just under 40 per cent), Bulgaria (31.7 per cent) and Spain (30.5 per cent). Rates were lowest in Denmark, Finland, Cyprus, the Netherlands, Czech Republic and Slovenia. The 'old' members of the European Union (i.e. EU-15) who had rates above the EU-28 average are Spain, Portugal, Greece, Luxembourg and Italy (in 2014).

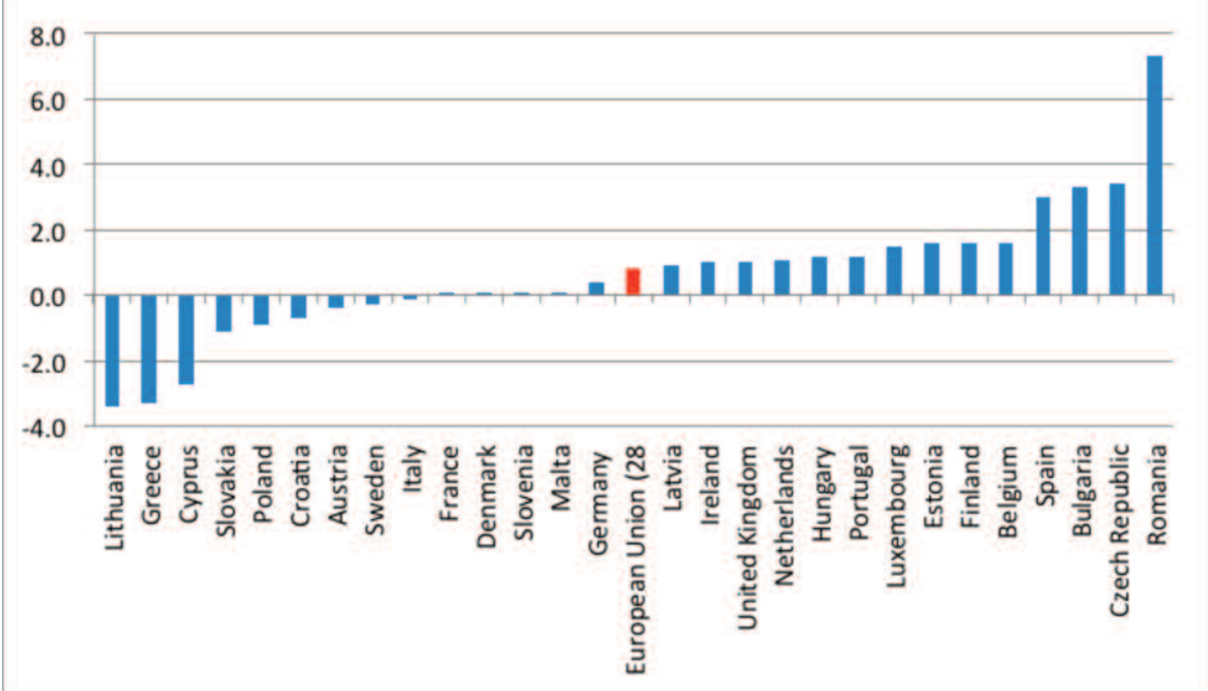
As noted already, there was a worsening in the position of children under this indicator between 2013 and 2014. By far the biggest increase in the rate occurred in Romania (7.3 percentage points), a country that has a relatively very high overall level. Czech Republic, a country with an overall rate that is low, relatively speaking, had the next largest increase (3.4 percentage points) followed by Bulgaria and Spain (3.3 and 3 percentage points, respectively). See **Figure 10**.

Figure 9 Children: Risk of Poverty Rate (%), 2008, 2013 and 2014



Source: Eurostat online database, code ilc_li02.

Figure 10 Children: Risk of Poverty, PP Change in Rate, 2013 to 2014



Source: Eurostat online database, code ilc_li02.

For children affected by **severe material deprivation**, the rate was 10.4 per cent for EU-28 in 2014 (9.8 million children) slightly down from a rate of 11 percent in 2013 but still greater than the 2008 rate of 9.8 per cent (EU-27 for 2008) (Eurostat online database, code ilc_mddd11).

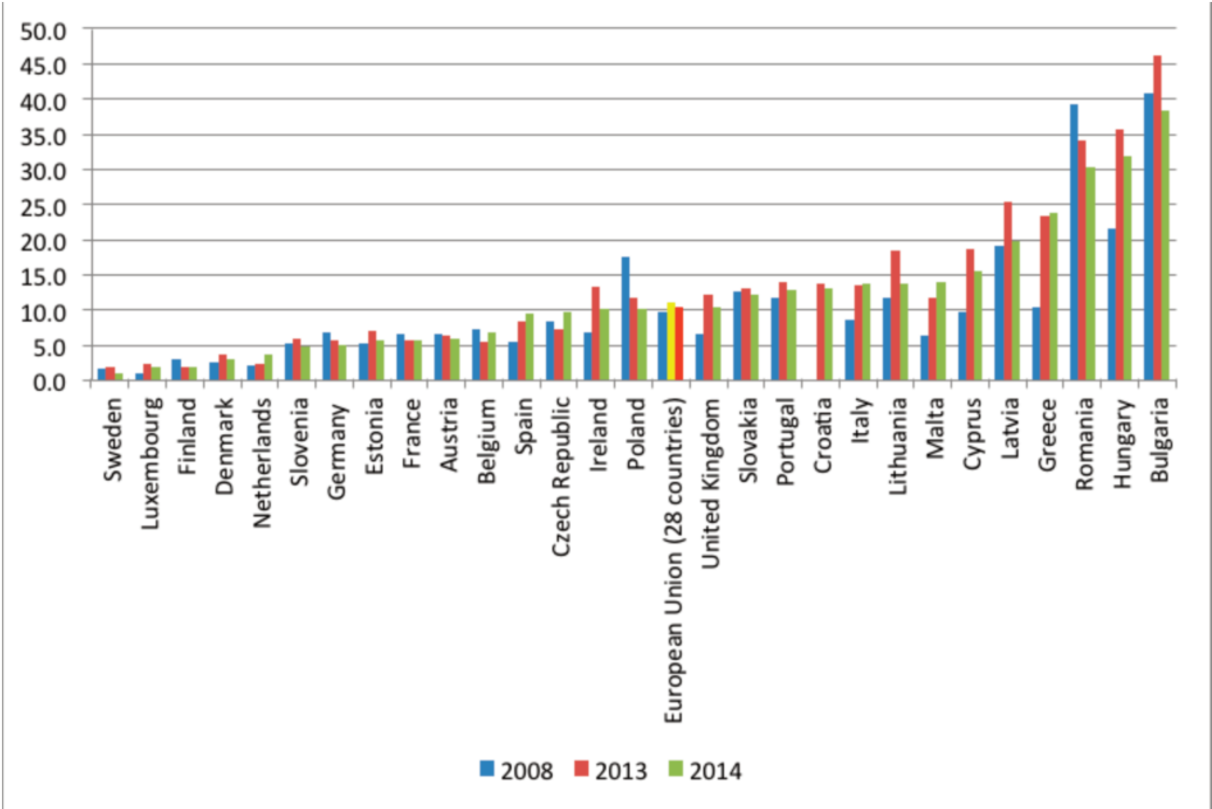
Again very high rates are in evidence in the newer accession countries of Bulgaria (38.4 per cent), Hungary (31.9 per cent), and Romania (30.4 per cent) and also in Greece (23.8 per cent). By contrast very low rates are in evidence in Sweden, Luxembourg, Finland, Denmark and the Netherlands (all with rates below 4 per cent). See **Figure 11**.

In relation to Greece, the increase since 2008, in particular, has been very striking (more than doubling from a rate of 10.4 per cent in 2008 to 23.8 per cent in 2014). The rate has also increased substantially in Hungary in those years (from 21.5 in 2008 to 31.9 in 2014).

As we prepare this report (and as we mentioned above), Eurostat has published the average rate for severe material deprivation for 2015 (alone amongst the indicators being examined in this section) – which suggests another slight worsening of the situation between 2014 and 2015 (10.7 per cent or 10.2 million children).

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

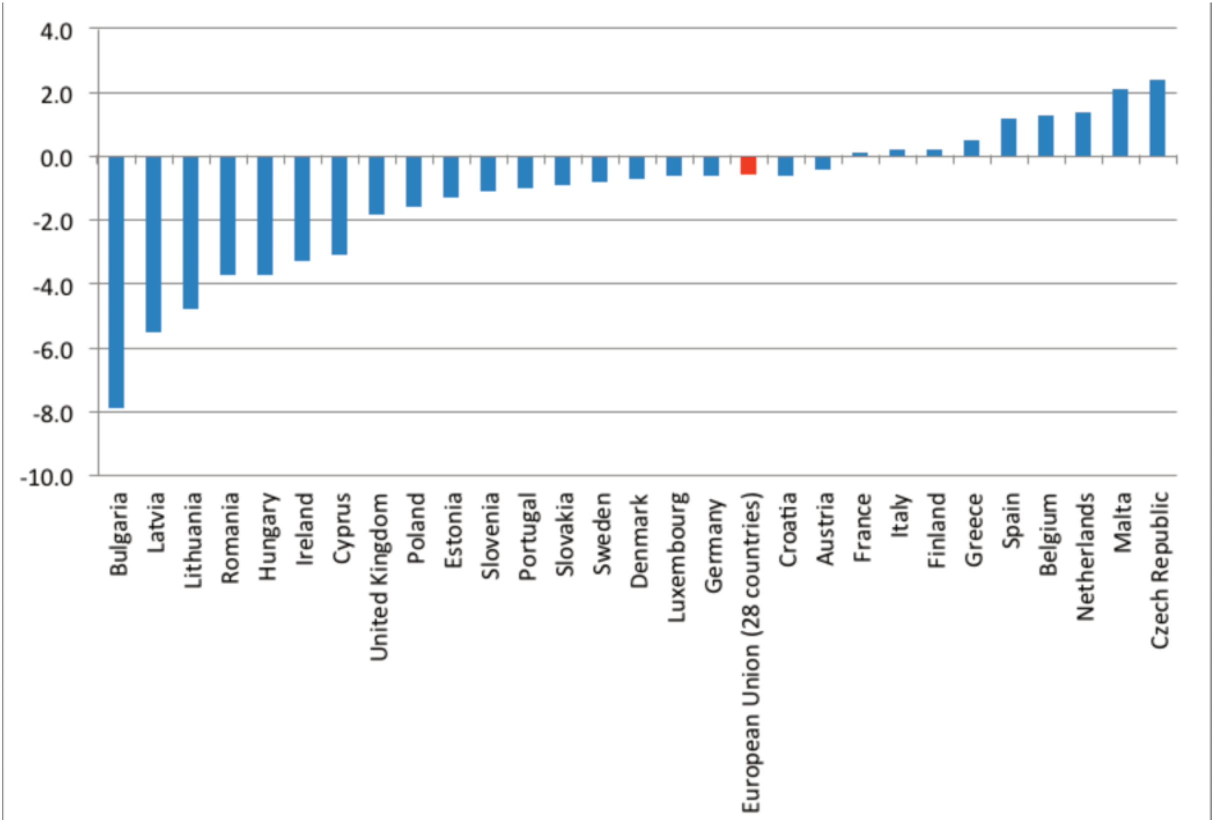
Figure 11 Children: Severe Material Deprivation Rate (%) 2008, 2013 and 2014



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

As we discussed in the previous report in this series, the rate dis-improved in a majority of member states (19 countries out of 27) between 2008 and 2013. In **Figure 12**, we show the percentage point changes from 2013 to 2014. Fortunately, the rate has decreased in a majority of member states and several Eastern European countries, including Bulgaria, Latvia and Lithuania, show significant improvements. The countries showing the largest increases in the rate are Czech Republic and Malta. Also, amongst the countries with the largest deteriorations between 2013 and 2014 are several of the 'old' member states of the EU such as the Netherlands, Belgium and Spain.

Figure 12 Children: Severe Material Deprivation, PP Change in Rate 2013 to 2014



Source: Eurostat online database, code ilc_mddd11.

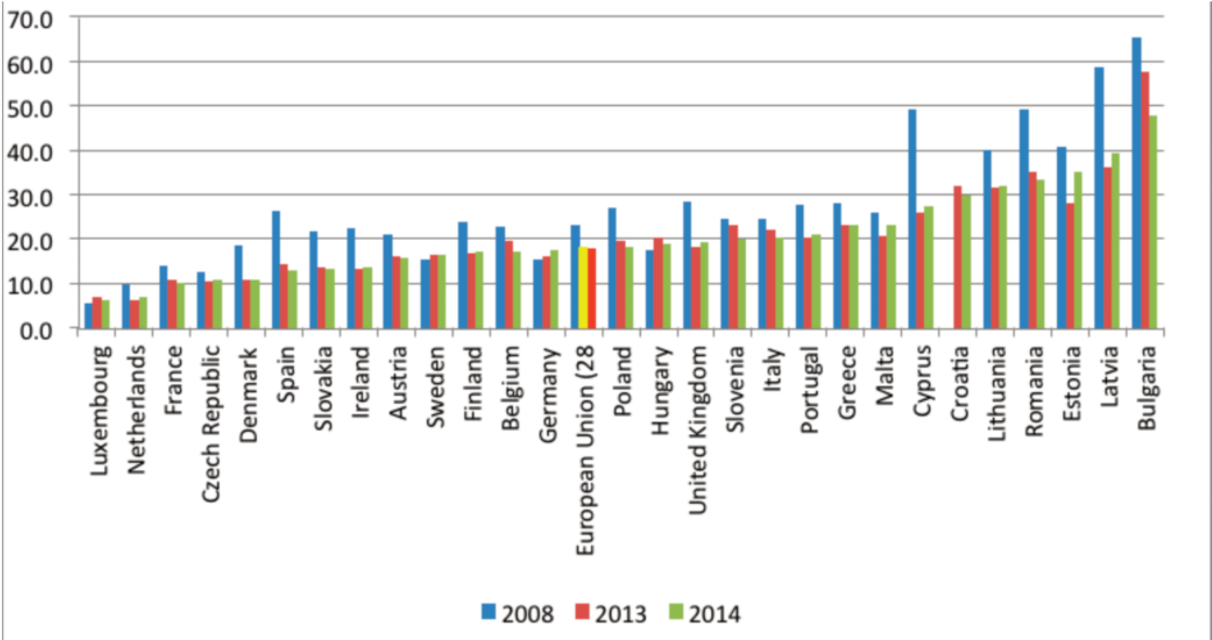
The dangers of such high levels of child poverty, social exclusion and deprivation are very serious. For example, the EU's advisory committee, the Social Protection Committee, has warned that this poses a challenge for the longer-term future of European countries and that the ability to tackle the challenges of child poverty and youth exclusion will be decisive in Europe's capacity to guarantee a long-term future to its citizens (Social Protection Committee 2015a). According to the European Commission's latest review of social and employment developments, the educational level of mothers, access to family benefits in low-income households and childcare are amongst the key determinants of child poverty. The Commission argues that policies that support family incomes through cash benefits combined with measures to facilitate mothers' employment help reduce child poverty (2016). Investment is required in early childhood education and care, according to the Social Protection Committee as part of integrated strategies that intervene early to reduce child poverty and break the poverty cycle across generations (Social Protection Committee 2015b).

It is also argued that a dynamic perspective on poverty (that is, experience of poverty over time) underlines the key role of proactive policy measures, like social investment, or preventative social protection and services, whose results are only visible in the long run and, unfortunately, are often not prioritised (Vaalavuo 2015).

We mentioned above that more attention is beginning to be paid to measures of poverty that examine the persistence of poverty over time and issues around entering and exiting from poverty. A working paper from 2015 suggests that there is a great deal of variation in the experience of poverty within and across countries – variation in the duration of poverty, and across age groups and countries. It is not possible to examine these measures in this report in any detail, but it may be worth noting that in some countries (the Netherlands, Belgium, Portugal and Romania) it is children that face a higher risk of long-term poverty, while in other countries (Slovenia, Finland and Cyprus) older people are more at risk (Vaalavuo 2015).

Older People - Where older people are concerned (those over 65), and again using the most commonly used poverty indicators, the European average rate for **poverty or social exclusion** was 17.8 per cent in 2014, a reduction on the 2013 rate (18.2 per cent). In 2014 it still represents approximately 16.3 million people (EU-28) – thus it affects more than one in 6 older people (Eurostat online database, code ilc-peps01). There is great variation in the rate, with many of the newer accession countries, including Bulgaria, Latvia, Estonia and Romania having the highest rates. The highest rate is in Bulgaria where nearly 50 per cent of the older population (47.8 per cent) is affected – and this rate is reduced significantly on the 2013 rate. The lowest rates are found in Luxembourg, the Netherlands, France, Czech Republic and Denmark. See **Figure 13**.

Figure 13 Older People: Poverty or Social Exclusion Rate (%), EU-28, 2008, 2013 and 2014



Source: Eurostat online database, code ilc-peps01

When we look at the **at risk of poverty rate**, it was nearly 14 per cent (13.8 per cent) for people over 65 in EU-28 in 2014 and this rate has fallen from 2008 when it was 19 per cent Eurostat ilc_li02). It affects 12.6 million people. There has been no change in the rate between 2013 and 2014. It is also important to note, as the EU Social Protection Committee argues generally in relation to pensions, that apparent improvements relative to poverty in recent times be seen in relation to declines in the poverty thresholds rather than as improvements in the economic situation of people aged 65+ in real terms (2012a, p.20).

There is a significant gender difference in this area with the rate considerably higher for women (15.2 per cent in 2014) than men (11.2 per cent in 2014). Because women live longer than men, this means that almost twice the number of older women are affected than older men (4.5 million men as opposed to 8.1 million women in 2014)

The highest rates occurred in 2014 in some of the newer accession countries of Estonia, Latvia, Croatia, and Bulgaria; while the lowest rates were seen in Hungary, the Netherlands, Slovakia and Luxembourg (Eurostat online database ilc_li02).

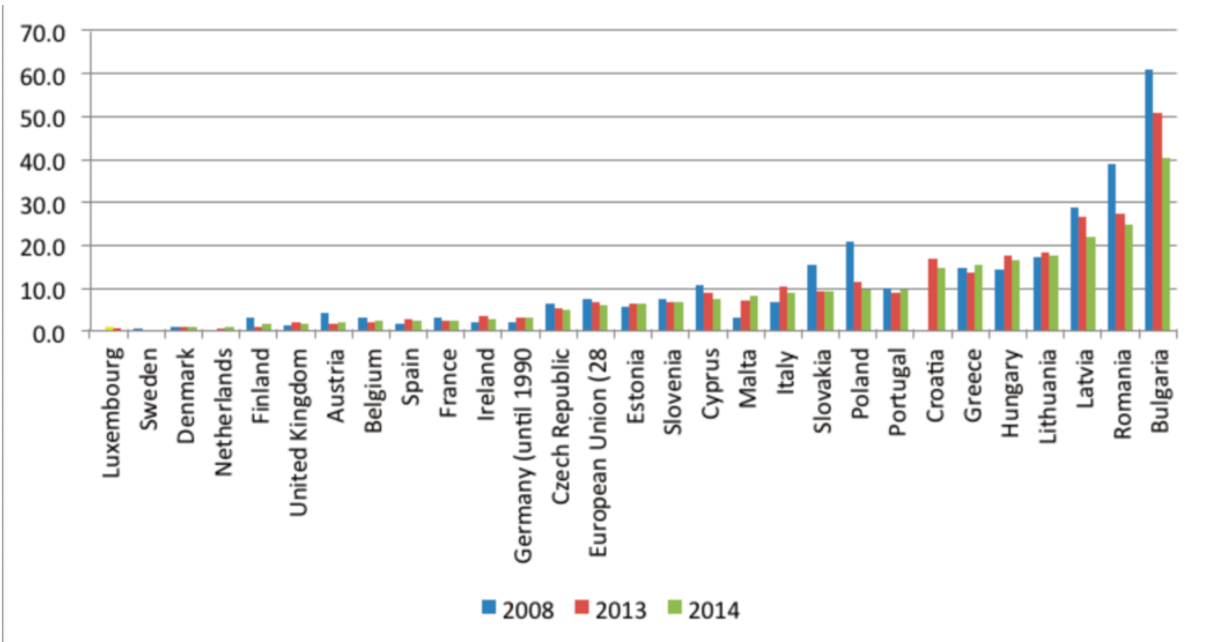
The average **severe material deprivation** rate for this age group was 6.2 per cent representing 5.7 million people (EU-28) in 2014 (Eurostat online database, code ilc_mddd11). The rate showed a slight improvement between 2013 and 2014. Again the rate is higher for older women than older men, and because women live longer than men, this means that much higher numbers of older women are affected (1.9 million men as opposed to 3.7 women in 2014).

As we prepare this report (and as we mentioned above), Eurostat has published the average rate for severe material deprivation for 2015 (alone amongst the indicators being examined in this section) – which suggests another slight worsening of the situation between 2014 and 2015 (6.4 per cent representing 5.9million older people).

There is great variation in the levels of this form of deprivation across Europe, with approximately 40 percentage points difference between the country with the highest rate, Bulgaria, and those with the lowest, Luxembourg and Sweden. Again some of the newer accession states tend to have the highest rates such as Bulgaria (40.3 per cent), Romania (24.8 per cent) and Latvia (22 per cent). Countries with the lowest rates include Sweden (0.2 per cent), the Netherlands (0.8 per cent), Luxembourg (0.1 per cent), Sweden (0.2 per cent) and Denmark (1 per cent). See **Figure 14**.

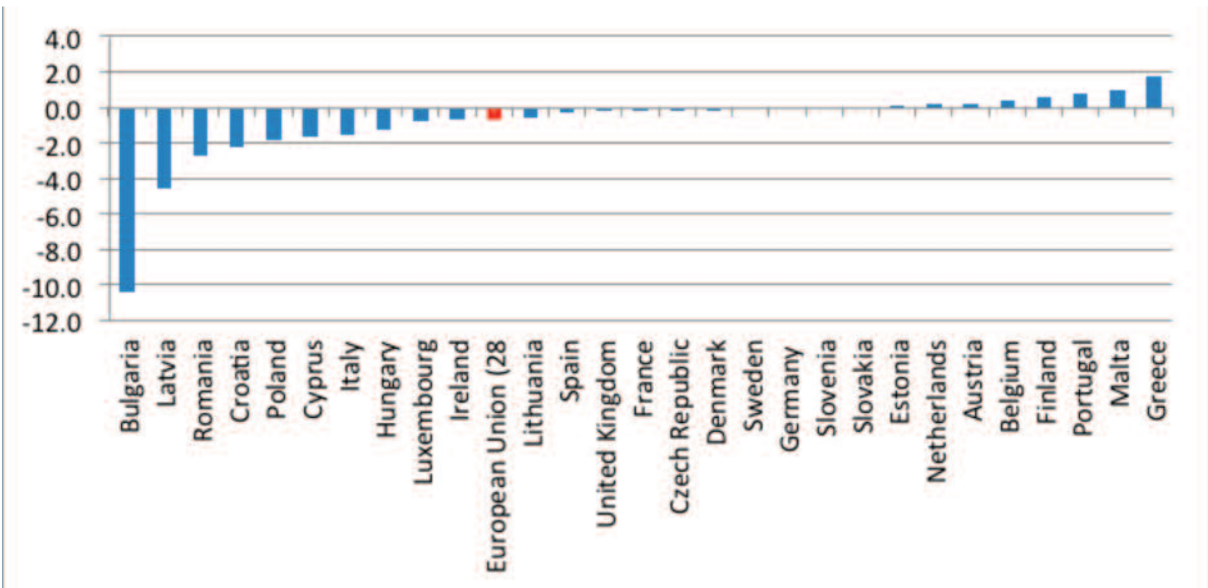
Dis-improvements in this rate have occurred in 8 member states between 2013 and 2014, most notably in Greece (1.8 percentage points) and Malta (1 percentage point). Improvements in the rate have also occurred especially notably in Bulgaria (-10.4 percentage points) See **Figure 15.**

Figure 14 Older People: Severe Material Deprivation Rate (%), 2008, 2013 and 2014



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

Figure 15 Older People: Severe Material Deprivation, PP Change in rate, 2013 to 2014

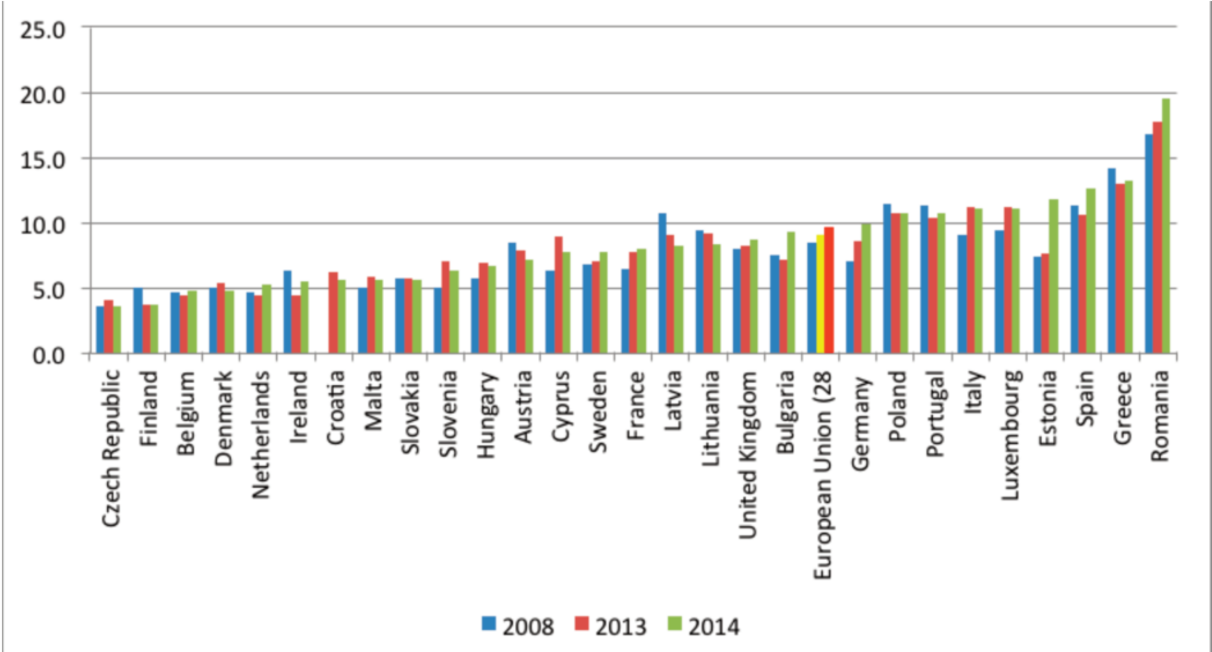


Source: Eurostat online database, code ilc_mddd11

Working Poor – In 2014, 9.6 per cent of employed people (aged 18-64) were living under the poverty threshold (EU-28), a slight dis-improvement on the rate for 2013 (9 per cent) (Eurostat Online database, code ilc_iw01). The highest rates occurred in Romania (19.5 per cent), Greece (13.2 per cent), Spain (12.6 per cent), Estonia (11.8 per cent) and Luxembourg and Italy (both 11.1 per cent). The lowest rates occurred in Czech Republic, Finland, Denmark and Belgium. See **Figure 16**.

The Social Protection Committee identifies an increase in the share of those who are working poor in several countries between 2013 and 2014 as a negative trend to watch (2016). Those who have a job but still live in poverty represent one third of working-age adults who are at risk of poverty (Social Protection Committee 2015a).

Figure 16 In-Work Risk of Poverty Rate, EU-28, 2008, 2013 and 2014



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

2.3 Income Inequality

Widening income inequality is considered a defining challenge of our time (see for example, paper from the IMF, Dabla-Norris *et al* 2015 or Piketty 2013). Piketty's influential book, *Capital in the 21st Century,* documents a stark rise in inequality within developed economies in North America and Western Europe over decades. Estimates suggest that almost half of the world's wealth is now owned by just 1 per cent of the population, amounting to $110 trillion—65 times the total wealth of the bottom half of the world's population (Dabla-Norris 2015).

Indicators of the degree of income inequality have been associated with a wide range of health and social problems across countries (Wilkinson and Pickett 2007). Research from the International Monetary Fund (IMF) has shown that income inequality 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.

There is clear evidence that income inequality has increased markedly since the mid-1980s in Europe, and that the recent crisis as well as fiscal consolidation programmes could worsen the situation (European Parliament 2014). Inequality continues to increase even as economies recover from the crisis, particularly in countries hit hardest by the crisis such as Spain, Ireland, Greece, and Estonia (European Parliament 2014). The drop in income during the recession has been larger for individuals at the bottom than for those at the top of the distribution (OECD 2014; European Parliament 2014).Thus the crisis has affected different sections of the population in different ways and income inequality is growing both across and within many member states. Growing income inequality is especially the picture in southern Europe and in several non-central countries, often in the states that have had the greatest increases in unemployment and sometimes those most affected by fiscal consolidation (Social Protection Committee 2015a).

One measure of income inequality is the **GINI coefficient**, an index ranging from 0 to 100 where 0 represents a perfectly equal distribution of income and 100 represents a perfectly unequal distribution. See **Glossary.** The higher the GINI coefficient, the greater the income inequality. According to the GINI coefficient indicator, this measure shows a very slight increase between 2013 and 2014 (from 30.5 to 30.9) within EU-28. At 31, the rate is slightly higher in the Eurozone (19 countries) and has increased there slightly between 2008 (when it was 30.5) and 2014 (Eurostat online database, code: ilc_di12).

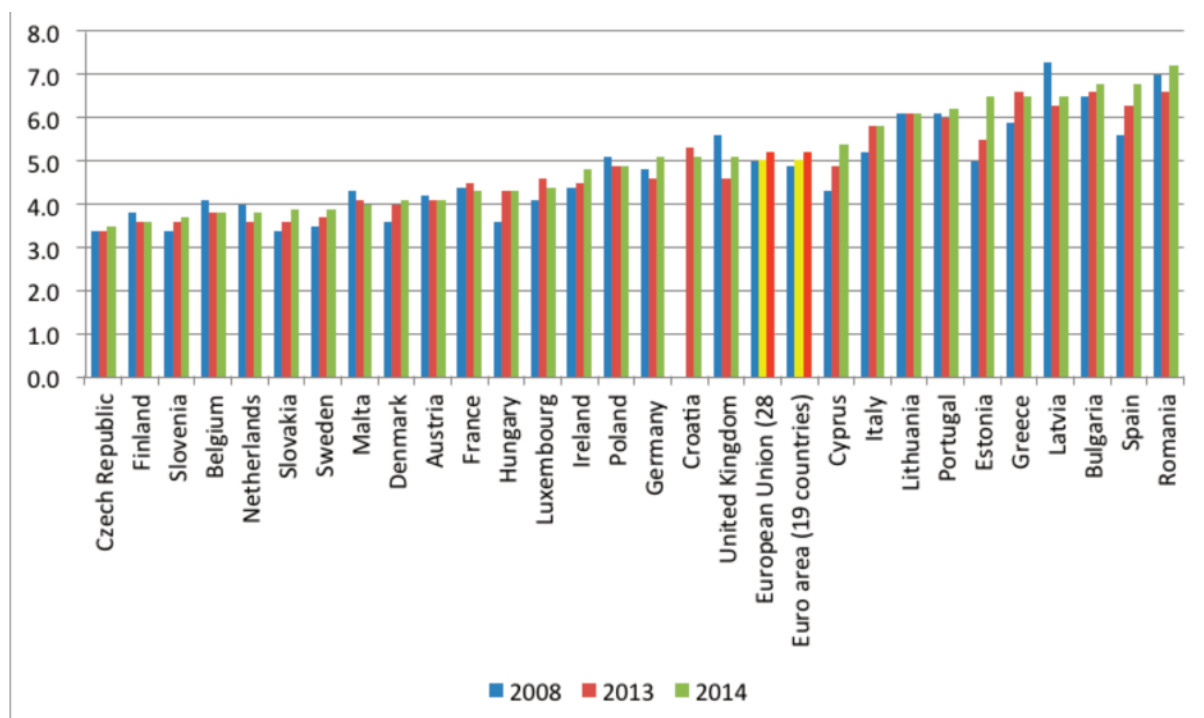
The countries with the greatest income inequality (according to the GINI coefficient) in 2014 were Estonia, Latvia, Bulgaria, Lithuania, Cyprus, Romania, as well as Spain, Portugal, Greece, Italy and the U.K.. Those with the lowest included Slovenia, Czech Republic, Sweden, Finland and Belgium. Those showing the greatest increases in the rate between 2013 and 2014 were Estonia and Cyprus (both with increases greater than 2 points) as well as Slovakia, U.K, Netherlands, Spain and Germany (with increases of 1 point or more).

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). While on average the S80/20 ratio remained stable between 2008 and 2013, what is noted is a wide dispersion and growing divergence in inequality between member states (European Commission 2013). As we reported in the previous report in this series, between 2008 and 2013, the picture was mixed, with the rate increasing in many countries and improving in others, especially in some countries with traditionally high rates (such as Latvia, Portugal and Romania), but the high rates in these and in other countries continue to be of concern (European Commission 2013).

There were wide inequalities in the distribution of income in 2014: the top 20 per cent of the population (with the highest equivalised disposable income) received 5.2 times as much income as the bottom 20 per cent (with the lowest equivalised disposable income). The rate increased in 16 member states and decreased in 5 (staying static in the remaining 7 countries) between 2013 and 2014. This ratio varied considerably across the EU Member States, from 3.5 in the Czech Republic and 3.6 in Finland to more than 6.0 in Lithuania, Portugal, Latvia, Greece, Estonia, Spain and Bulgaria, peaking at 7.2 in Romania. See **Figure 17**.

The S80/20 ratio suggests that income inequality is particularly high in the southern and eastern European countries (Eurostat online database, code ilc_di11). 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.

Figure 17 Income Inequality EU-28, S80/S20, 2008, 2013 and 2014



Source: Eurostat online database, code ilc_di11

According to Eurostat, income inequality would have been greater in all countries if social transfers had not been included (Eurostat 2014a).

Overall, reviewing the situation relative to inequality in Europe during the recession, the European Commission has concluded that the evidence shows that mitigating excessive inequality requires adequate levels of social investment, investment in lifelong learning, social expenditure that is more responsive to the economic cycle (that is, periods of growth and periods of recession) and integrated welfare reforms supported by well-functioning labour markets (2015a)

2.4 Disposable Income and Financial Distress

In order to assess how disposable incomes compare across Europe as well as the changes to them since 2008, we look at **disposable median net income** per country for the total population. Disposable net income is the total gross disposable income (that is, all income from work, private income from investment and property, transfers between households and all social transfers received in cash including old-age pensions) minus social security contributions and income taxes payable by employees (Eurostat, 2015a). This means it represents income available to individuals and households for spending or saving.

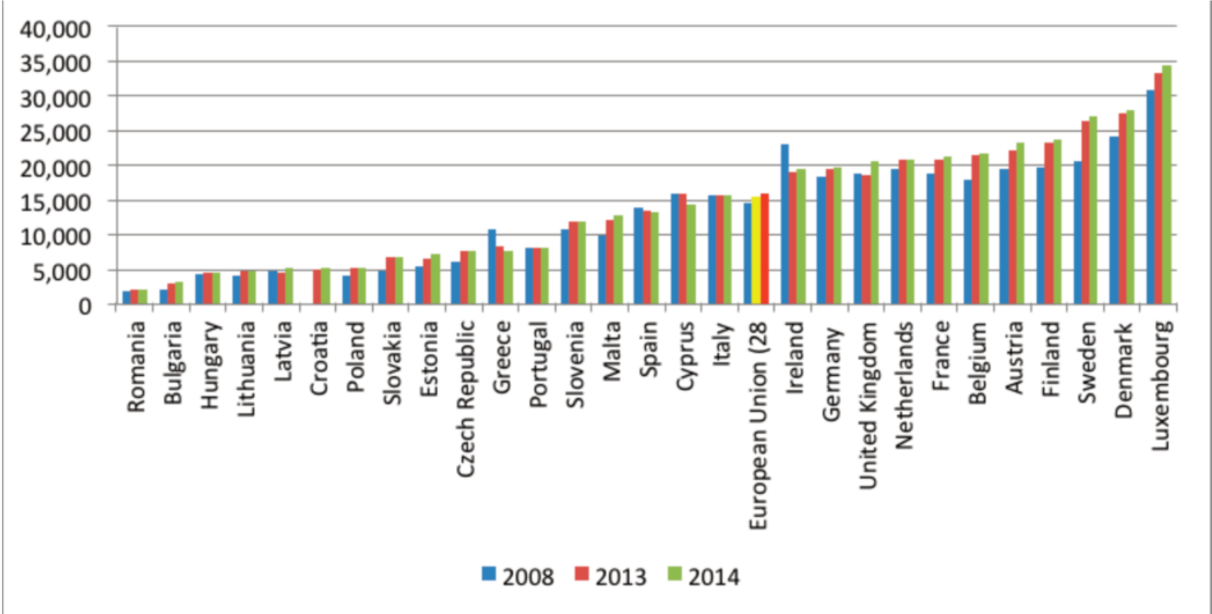
But the living standards achievable by a household with a given disposable income depend on how many people and of what age live in the household and thus household income is ‘equivalised’ or adjusted for household size and composition so that the incomes of all households can be looked at on a comparable basis. See **Glossary for** definition of Household Disposable income, which explains the Eurostat approach to equivalisation in

more detail. It is to be noted that national statistical agencies may take different approaches to equivalisation and thus publish different levels[6]. However, in this report, in order to facilitate comparison across countries, we are using the Eurostat calculations.

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

See **Figure 18,** which shows that in 2014 the highest levels occurred in Luxembourg, Denmark, Sweden, Finland and Austria, the lowest in Romania, Bulgaria, Hungary, Lithuania, Latvia, and other newer accession members. There is also great variation in the levels between the highest countries and the lowest. For example, the 2014 figure in the top two countries, Luxembourg and Denmark, was €34,320 and €27,861, respectively; that in the countries with the lowest levels, Romania and Bulgaria, were €2,195 and €3,311, respectively. Thus half of the people of these countries are considered to have disposable incomes above those amounts and half below.

Figure 18 Median Disposable Annual Income (€): EU28, 2008, 2013 and 2014



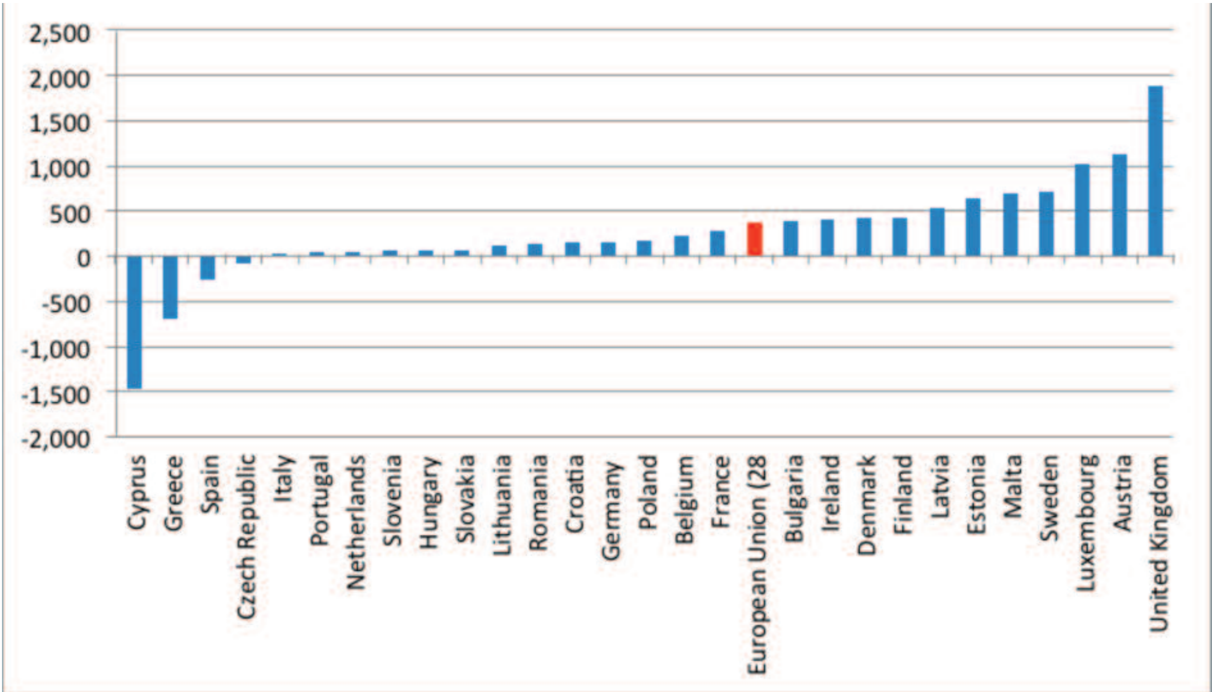
Source: Eurostat online database ilc_di03 (source: SILC) Earlier figure unavailable for Croatia

6 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.

In the previous report in this series, when we looked at the countries where the greatest changes occurred between 2008 and 2013, we saw that by far the greatest reductions were in Ireland and Greece, while by far the largest increase occurred in Sweden followed by Belgium, Finland, Denmark and Austria.

For changes between the latest years (2013 to 2014), see **Figure 19**. There were improvements (albeit slight ones in many cases) in most countries and dis-improvements in only four countries. These decreases occurred in Cyprus, Greece, Spain and Czech Republic, while the greatest increases occurred in U.K., Austria and Luxembourg (Eurostat online database: ilc_di03).

Figure 19 Change in Median Disposable Income (€), EU, 2013 to 2014



Source: Eurostat online database ilc_di03 (source: SILC)

However, nominal changes do not tell the whole story about income changes, as inflation also has a significant influence. It is also possible to look at the income levels at which changes were most felt. For example Eurostat calculations are available for 2012 (Eurostat 2015b) in which they look at changes between the bottom quintile of income (that is bottom 20 per cent) and the top quintile (top 20 per cent). In the bottom quintile, income decreased from 2011 to 2012 in 18 EU Member States after adjusting for inflation. The sharpest fall occurred in Greece (in the bottom quintile), where the median income decreased by 14.6 per cent, followed by Cyprus (– 10.2 per cent), Portugal (– 9.6 per cent), Slovenia (– 8.3 per cent), Hungary (– 7.4 per cent) and Italy (– 7.4 per cent). In the top quintile, income also decreased in 18 EU Member States, but with different patterns and intensity. All in all, income inequality rose in 20 EU Member States, because income in the fifth quintile decreased less or increased more than in the first quintile (Eurostat 2015b).

More recently, the European Commission reports real growth of 2 per cent in gross disposable household income during the year to the end of 2015 ('real' means that nominal figures are deflated using the consumer price index) with a somewhat lower level in the Euro Area (European Commission 2016).[7]

The OECD has started to publish indicators, which it calls a dashboard of household statistics, designed to highlight the economic activity of households across its member countries. Overall they conclude that in most OECD countries, GDP dropped sharply at the beginning of the financial crisis, but real household income showed more resilience due to both automatic stabilisers (which might be things like welfare or pension payments) and supportive fiscal policies. However, patterns diverge across countries as purchasing power still remained below pre-2007 levels in a number of countries, including Austria, Greece, Ireland, Italy, Portugal and Spain (referring to end 2015) (OECD 2015b). Since 2010 GDP per capita growth has outpaced household income growth in most OECD countries.

Financial distress of households (defined as the need to draw on savings or to run into debt to cover current expenditures) is still running at high levels relative to the previous decade (European Commission 2016). It reached a historically high level of 17 per cent in autumn 2013 and since then it has declined to 15 per cent, according to the European Commission's summer 2015 quarterly review. Both the share of the households reporting running into debt and the share of those having to draw on their savings have declined, particularly the share of those running into debt. However, in the majority of member states, overall levels of financial distress remain higher than in 2007, in particular in Cyprus, France, Italy and Spain, and it varies considerably between countries ranging from around 3.5 per cent in Germany to more than 25 per cent in Greece, France and Italy. Around 25 per cent of adults in low-income households are in financial distress (European Commission 2016).

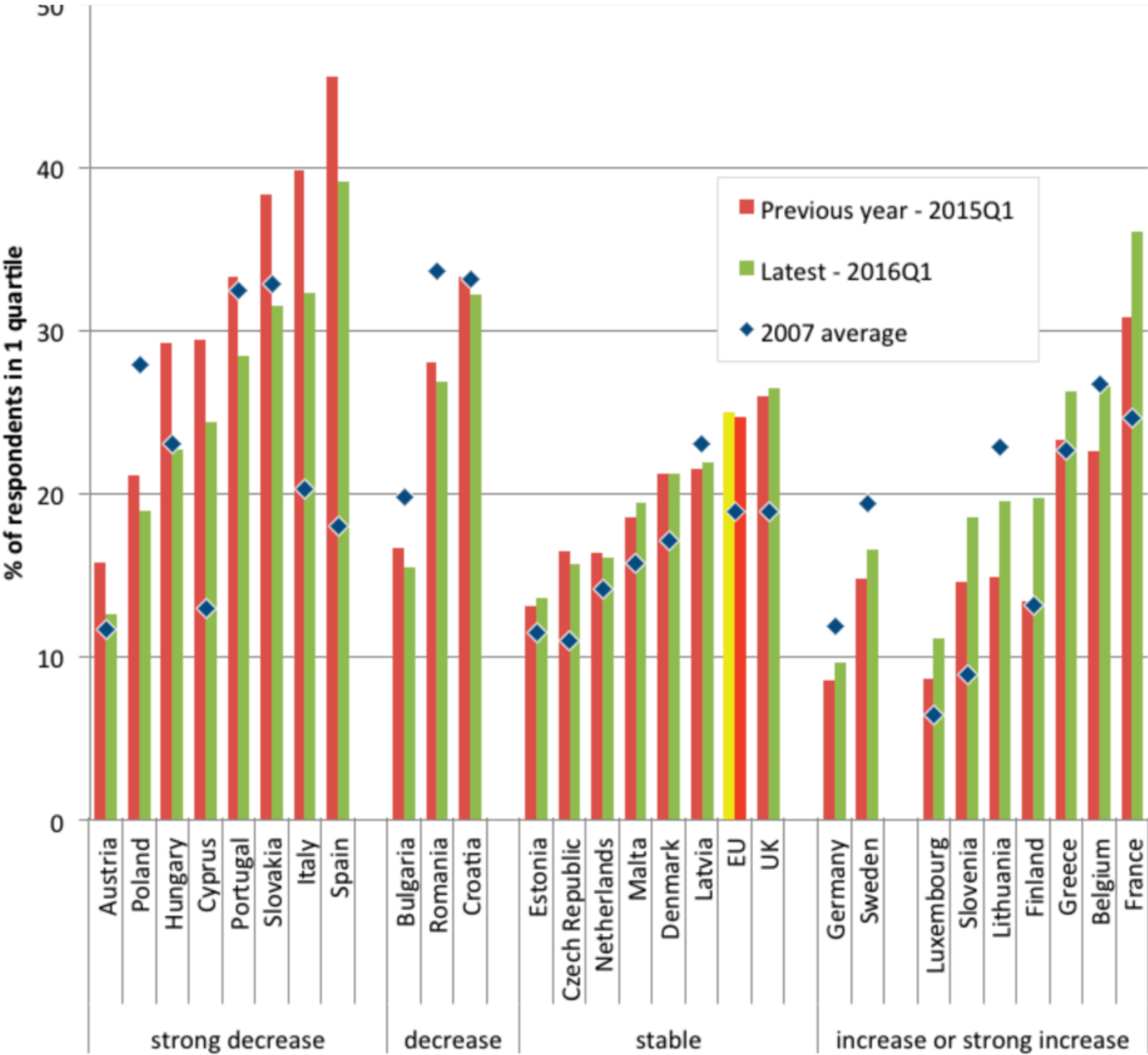
Compared to 2007, financial distress for the poorest households is higher in around half of member states. There is a big range amongst countries: financial distress is much higher for lower-income households in some countries than others, affecting (in 2016) 10 per cent of households in the poorest quartile in Germany at one end of the scale, compared with 40 per cent of the poorest quartile in Spain (European Commission 2016). It also affects over 30 per cent of low income households in France, Italy, Slovakia and Croatia.

See **Figure 20**, where rates for the first quarters of 2015 and 2016 are shown for the lowest income households as well as an average for 2007.

For low income households (that is, the lowest quartiles or lowest 25 per cent), financial distress has remained at historically high levels for the past two and a half years. The Commission considers that there has not yet been a more permanent easing in their financial distress, notwithstanding that it appears to have eased in the first quarter of 2016 (European Commission 2016). In the first half of 2016, about 10 per cent of adults in low-income households ran into debt and nearly a further 15 per cent drew on savings to cover current expenditure and the gap between low-income and high income households has widened (European Commission 2016). (The levels for all households were much lower – 4.5 per cent and 10 per cent, respectively).

[7] This relates to member states for which quarterly data are available

Figure 20 Household Financial Distress (%) in lowest income quartile, 2007 average, 2015 Q1 and 2016 Q1, EU-28.



Source: European Commission (2016: Chart 32): European Commission, Business and Consumer Surveys data non-seasonally adjusted, 5-months moving average (DG EMPL calculations),

2.5 Summary and Conclusion

The review set out in this Section shows how Europe moved further away from the targets set in the Europe 2020 Strategy in the years following its adoption. The picture that emerges in the 2013-2014 period (the latest for which Eurostat has published rates as we prepare this report) suggests that, following years of dis-improvement, there is now virtual stagnation in many of the indicators used to measure progress under the Strategy while some continue to worsen.

Levels of poverty or social exclusion are still higher than in 2008 while showing a very slight improvement between 2013 and 2014 (the greatest improvements occurring in the newer

accession states of Bulgaria, Lithuania, Hungary and Latvia), In 2014 the numbers affected still amounted to over 122 million people (EU-28) or 24.2 per cent of the population of the EU (that is, almost 1 in 4 people). There are very great divergences between the countries with the highest rates (Bulgaria and Romania having rates of approximately 40 per cent) and those with the lowest rates (Czech Republic and the Netherlands with rates of 15 and 16.5 per cent, respectively).

Amongst the groups most affected are the unemployed, while amongst household types, single parents have significantly higher rates.

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

In 2014, over 86 million people in Europe were experiencing income poverty (measured by the at risk of poverty indicator – 60 per cent threshold), a slight increase on the 2013 level. In six member states one fifth or more of the population was at risk of poverty. There is an indication that the depth of poverty worsened between 2013 and 2014 with an increase in the rate of risk of poverty at the 40 per cent threshold (that is, those with an income at or below 40 per cent of the national median equivalised income). Those living at this low level amounted to more than 31 million people in 2014.

When we look at the severe material deprivation indicator, there is great divergence across countries, with particularly high rates amongst the newer accession countries. However, between 2013 and 2014 the rates rose (albeit very slightly in some cases) in countries within EU-15 – that is, 'old' members of the union. The greatest deterioration between 2013 and 2014 in this rate occurred in Greece.

Children (that is, under 18s) were strongly affected by the economic crisis and their position is highlighted by the Social Protection Committee as one of the areas where there has been greatest deterioration since 2008 – something that has long-term consequences for the people and families concerned as well as for the EU as a whole. Children in poverty or social exclusion amounted over 26 million in 2014 (which is well over a quarter of all children). There is great divergence in the rates across the EU and the lowest rates are in the Nordic countries of Denmark, Finland and Sweden. Between 2013 and 2014, the greatest increase occurred in Spain, but Czech Republic and Finland, countries with relatively low overall rates, also had increases of a similar magnitude. When we look at income poverty, the at risk of poverty rate in children rose between 2013 and 2014, and approximately one fifth of Europe's children were affected in 2014 (that is, living below the 60 per cent threshold of median income in their countries). When we look at severe material deprivation (that is, lacking certain key resources) approximately 10 per cent of children were affected in 2014.

Where **older people** are concerned (those over 65), about one in 6 was affected by poverty or social exclusion in 2014, representing approximately16.3 million people (EU-28). Between different countries, there is great variation in the rates, and this is also true in respect of severe material deprivation amongst this group. When we look at income poverty in 2014 (or the at risk of poverty rate, 60 per cent threshold), the highest rates occurred in some of the newer accession countries. Where severe material deprivation is concerned, there is an approximately 40 percentage points difference between the country with the highest rate,

Bulgaria (notwithstanding a recent, significant decrease in the rate), and those with the lowest rates, Luxembourg and Sweden. Rates of both income poverty and severe material deprivation are considerably higher for older women than older men and, because women tend to live longer than men, this means that very much larger numbers of women are affected.

The rate for **working poor** – those who have a job but still live in poverty - increased between 2013 and 2014 and the Social Protection Committee has identified this as a negative trend to watch (2016).

When **income inequality** is examined, there is concern about the wide dispersion and growing divergence in inequality between member states (European Commission 2013). The income inequality rate (S80/20 indicator) increased in 16 member states and decreased in 5 (staying static in the remaining 7 countries) between 2013 and 2014.

Financial distress of households (defined as the need to draw on savings or to run into debt to cover current expenditures) is still running at high levels despite some easing of the situation in recent times. Comparing the situation in 2016 to 2007, financial distress for the poorest households is higher in around half of member states. Around 25 per cent of adults in low-income households are in financial distress (European Commission 2016). There is a big range amongst countries: financial distress is much lower for lower-income households in some countries (such as the central European countries of Germany, Luxembourg and Austria) than others (such as Spain France, Italy, Slovakia and Croatia).

Overall there are very great differences in the social situation across countries. Some countries have been more affected by the economic crisis than others, and some countries have been able to benefit more from recent economic improvements than others. Overall the social indicators suggest stagnation of the positon for very many people living in Europe, with dis-improvement for some groups. Any recovery has yet to be felt more generally across social groups.

3.

EMPLOYMENT AND UNEMPLOYMENT

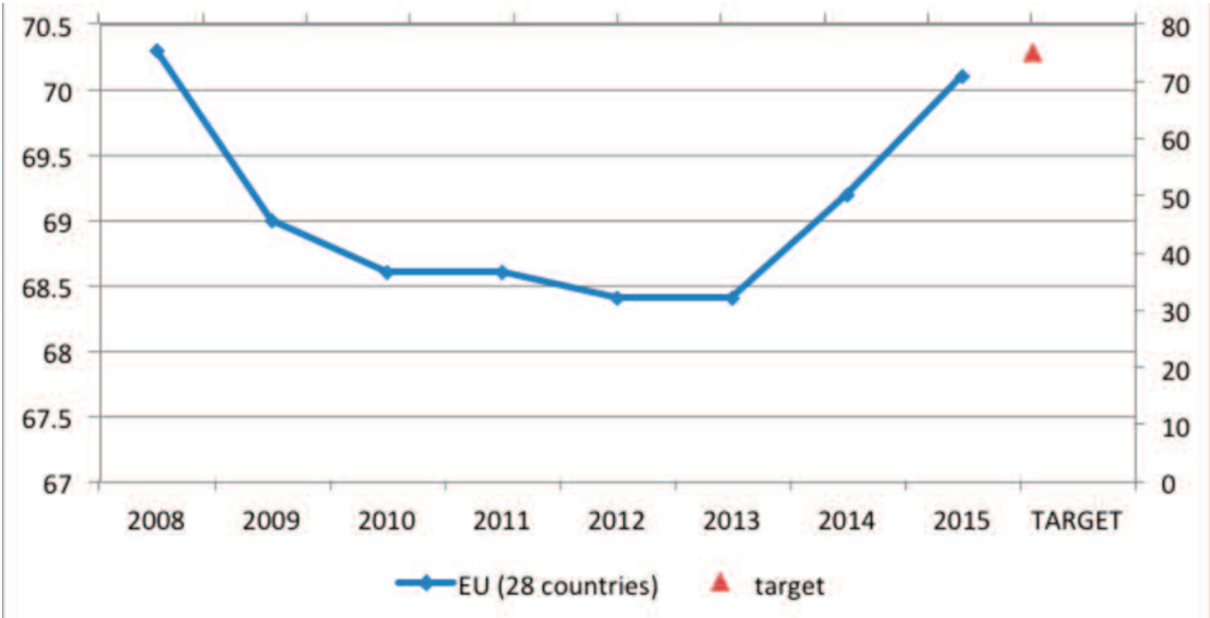
Social Justice Ireland includes the right to meaningful work amongst its core rights that need to guide policy-making in the future (see **Section 1**, above).

3.1 Employment

The Europe 2020 strategy set a headline target that 75 per cent of 20-64 year-olds would be employed by 2020. **Figure 21** shows the drastic job losses in Europe as a whole following 2008 – a picture that has improved only since 2013. The average rate in 2015 was 70.1 per cent and it had been 70.3 per cent in 2008. The rate in the Euro area is slightly lower (69 per cent in 2015) (Eurostat t2020_10).

Thus Europe's employment levels are now again approaching 2008 levels but there is still a gap from achieving the 75 per cent employment target set in 2010.

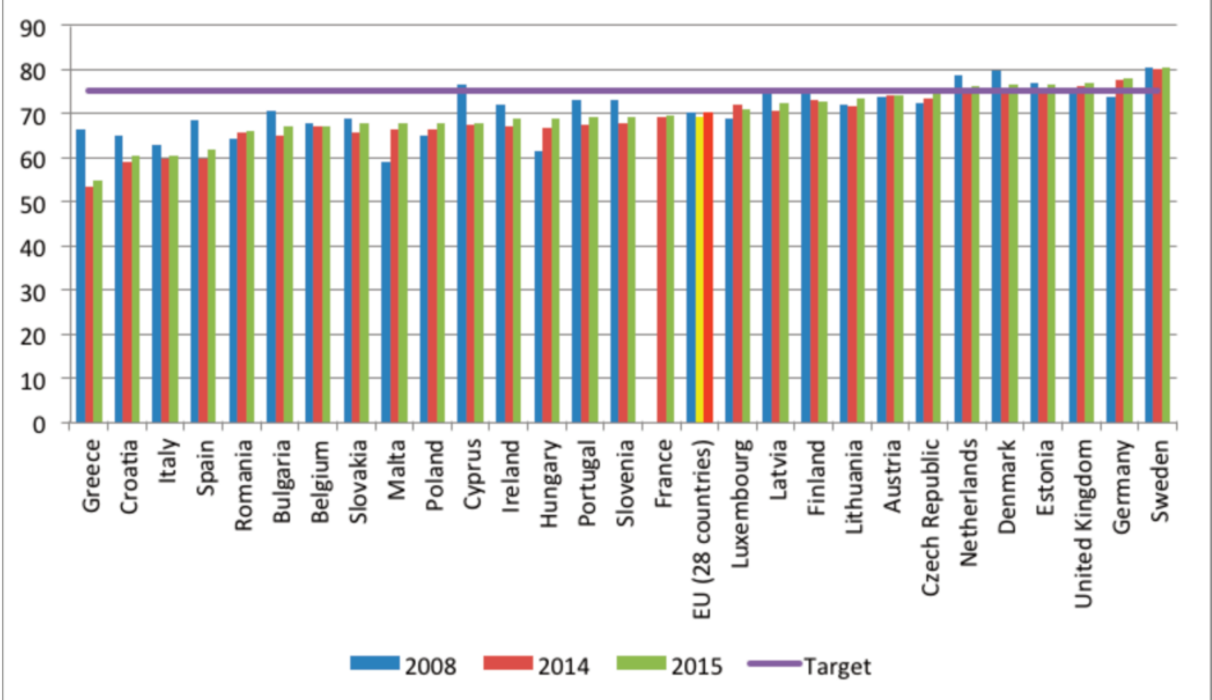
Figure 21 Employment in Europe (%), Ages 20-64, EU-28, 2008-2015



Source: Eurostat online database, code t2020_10

Furthermore, as **Figure 22** shows, there are large variations in the rates in different countries. Some countries, especially in central and northern Europe, have already reached or exceeded the target of 75 per cent (including Sweden, Germany, United Kingdom, Estonia, Denmark and Netherlands who top the table in 2015), while other countries, especially in the south and periphery are very far away from achieving it. The lowest employment rates in 2015 were to be found by countries hard-hit by the economic crisis such as Greece, Croatia, Italy and Spain. In the fourth quarter of 2015, there was a 25 percentage point difference between the highest employment rate of more than 80 per cent in Sweden and the lowest employment rate of just 55 per cent in Greece.

Figure 22 Employment (%), ages 20-64, EU-28 Countries, 2008, 2014 and 2015



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

Overall, employment has grown for two and a half years now in the EU. Its lowest level since the 2008 crisis was in mid-2013. Since then and up to the first quarter of 2016, employment has increased by 6.8 million people in the EU, including by 3.8 million in the Euro Area (European Commission 2016). The latest updates indicate that in the first quarter of 2016, employment in the EU still remains 0.1 per cent (200 million people) below the level reached in its peak level of spring 2008. It is 1.1 per cent lower in the Euro Area, representing 1.7 million fewer people in employment than in spring 2008 (European Commission 2016).

The average employment rates continued to increase in the first quarter of 2016: by 0.3 per cent both in the EU as a whole and in the Euro Area (European Commission 2016). Compared to the first quarter of 2015, it was up by 1.4 per cent in the EU and in Euro Area. The year-on-year increase represents about 3 million more employed people in the EU. But while employment increased in most member states in the first quarter of 2016 it declined in some countries – Greece, Latvia, the Netherlands and Poland (European Commission 2016).

There are also concerns about the way that the employment picture is evolving in recent years to do with growth in temporary and part-time work and also to do with falling/stagnating wages. Some issues:

- temporary employment has been growing at a faster rate than permanent employment for the past two years (European Commission 2016);
- while full-time employment has increased faster than part-time employment since 2014, it is still below its 2008 level while part-time employment has increased since 2008; (European Commission 2016);
- involuntary part-time accounts for a significant share of part-time work in several member states, with implications for income and potentially increasing the risk of poverty or social exclusion (European Commission 2016a);
- while economic output is above 2007 levels in a large majority of OECD countries, employment and wage gaps persist especially amongst disadvantaged groups (OECD 2015a).

Thus many of the new jobs created recently are temporary or part-time, which raises many concerns, including for the robustness of the recovery (European Commission 2015b). Low pay and in-work poverty were already major policy challenges before the onset of the economic crisis, and have become more acute since then as pay levels have fallen or stagnated in many countries (OECD 2015a). In Spain and Cyprus, for example, more than 90 per cent of those on temporary work contracts are involuntarily in this kind of employment while in Austria this rate is just 8.8 per cent (Schraad-Tischler 2015). Large differences exist across the EU: as mentioned, the share of workers with involuntary temporary contracts is 8.8 per cent in Austria, but at the other end of the scale, it is 94.3 per cent in Cyprus (European Commission 2016a); the share of employees moving from temporary to permanent employment per year varies from about 10 per cent in France to more than 60 per cent in Estonia; the share of involuntary part-time workers ranges from less than 12 per cent in Slovenia, Belgium, Austria and the Netherlands to more than 60 per cent in Bulgaria, Greece, Spain, Italy and Cyprus.

A recent report from the International Labour Organization (a tripartite organisation bringing together representatives of governments, employers, and workers) confirms that decent work is paramount in the fight to reduce poverty (International Labour Organization 2016). The report concludes that without an adequate supply of decent work opportunities, it will be difficult for the working poor to improve their working conditions, acquire a career and thus lift themselves and their families out of poverty.

The European Commission has noted that some of the Member States that have been most resilient during the crisis have high levels of employment protection legislation, particularly Germany, Sweden, the Netherlands and the Czech Republic (2015a). They recently noted that countries with the combined highest investment in activation measures, training and effective unemployment benefits were those that fared better in the crisis (European Commission 2016a).

The international economic and financial crisis has pushed down investment levels within the EU by about 15 per cent from their peak in 2007. The persistence of high unemployment in many member states has caused some experts to argue that the Euro area (alongside Japan and the United States) is facing ‘secular stagnation’, a long-term economic stagnation characterised by a shrinking work force, low demand, excess savings and low investments, despite low interest rates and deflationary tendencies (European Parliament 2016).

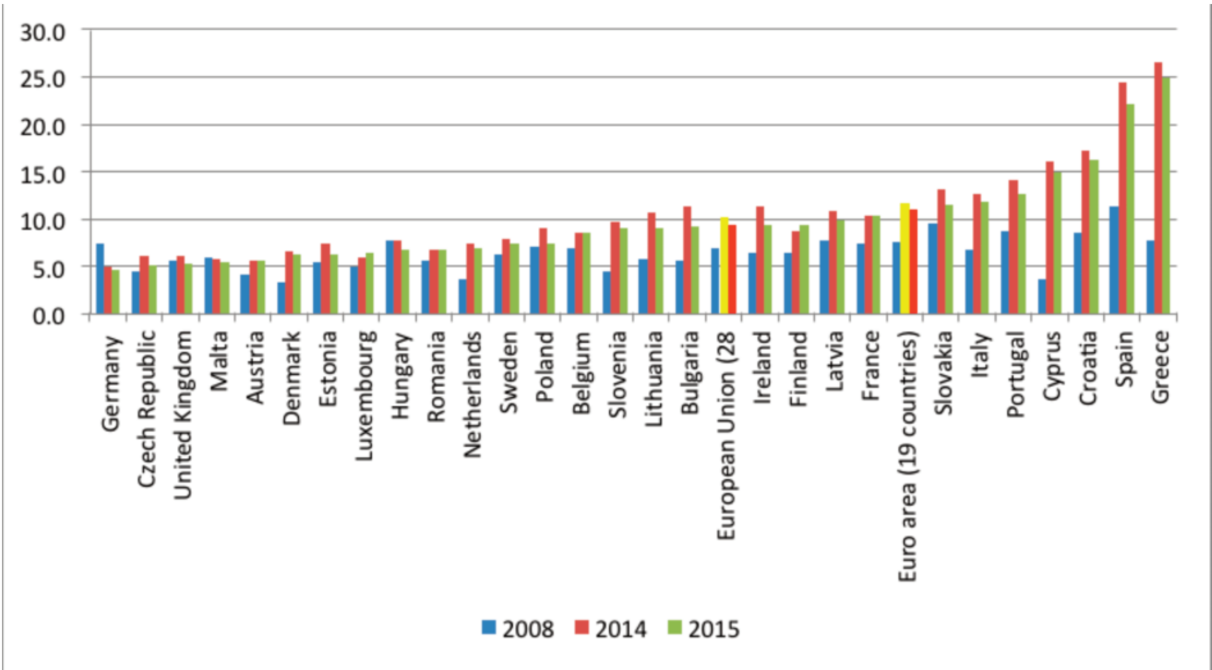
3.2 Unemployment

We reviewed in last year's report in this series on the rise in unemployment following the 2008 crisis. The total unemployment rate for EU-28 in 2008 was 7 per cent and it increased to 10.8 per cent by 2013 and 10.2 per cent in 2014 (annual average, not seasonally adjusted data; proportion of active population) (Eurostat code une_rt_a; European Commission 2016a). It represented an increase of 9 million in the number of people who were out of work (spring 2008 to spring 2013) (European Commission 2016a). Very great differences between the rates in different member states occurred.

There has been a gradual reduction in unemployment since 2013. The rate fell from 10.9 per cent in 2013, to 10.2 per cent in 2014, to 9.4 per cent in 2015 (Eurostat code une_rt_a). In 2015 it represented 22.8 million people – down by 3.4 million since 2013 (and by 1.9 million since 2014), but still some 6.1 million people more than in 2008 (Eurostat code une_rt_a).

Figure 23 illustrates the very great divergence between countries both in terms of the rate of unemployment and in the degree of change between 2008 and 2015. The countries with the highest rates in 2015 were Greece, Spain (both with rates above 20 per cent), Croatia, Cyprus, Portugal and Italy. Those with the lowest rates were Germany, Czech Republic, United Kingdom, Malta and Austria (all with rates under 6 per cent). Within the year 2014 to 2015, the greatest improvements (more than two percentage points) have occurred in Spain and Bulgaria. A number of countries have had improvements in their rates of between 1 and 2 percentage points.

Figure 23 Unemployment (% active population), EU-28, 2008, 2014 and 2015



Source: Eurostat online database une_rt_a

The latest update from Eurostat relating to June 2016 suggests that the EU28 seasonally-adjusted unemployment rate was 8.6 per cent down from 9.5 per cent in June 2015 (Eurostat 2016b) The Euro area unemployment rate was 10.1 per cent in June 2016, down from 11.0

per cent in June 2015. Eurostat estimates that 20.986 million people in the EU28, of whom 16.269 million were in the euro area, were unemployed in June 2016. Some 4.2 million young people (under 25) were unemployed in the EU28, of whom 2.915 million were in the euro area, but compared with June 2015, youth unemployment had also decreased (Eurostat 2016b).

Among the Member States, the lowest unemployment rates in June 2016 were recorded in Malta (4.0 per cent), the Czech Republic (4.1 per cent) and Germany (4.2 per cent). Highest rates were observed in Greece (23.3 per cent in April 2016) and Spain (19.9 per cent). Thus there was an almost 20 percentage point difference between the country with the highest unemployment rate (Greece) and that with the lowest (Malta).

There are supplementary indicators used to monitor the evolution of underemployment. As we saw in last year's report, the number of people available and wanting to work but not looking for a job (considered to be 'discouraged workers') increased between 2008 and 2013. During the year to the end of 2015, there was a modest decrease in three supplementary indicators[8] of 0.4 percentage points (European Commission 2016).

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

Comparing the situation at the end of 2015 with 2008, only three countries have lowered their long-term unemployment rates: Germany (by 1.6 pp), Hungary (by 0.9 pp) and Malta (by 0.6 pp) (European Commission 2016).

While employment has been declining since 2013, long-term unemployment has only recently stopped rising (European Commission 2016a).

There have been improvements in the average long-term unemployment rate from 2014 and the rate decreased 0.6 percentage points in the year to the fourth quarter of 2015 to reach 4.3 per cent of the labour force (European Commission 2016). The European Commission has noted how long-term unemployment remains an important challenge in the EU with around 10.5 million people in unemployment for more than a year, despite searching for a job, including 6.6 million for more than two years (European Commission 2016). Thus that very high proportions of Europe's unemployed people continue to be long-term unemployed can be seen from what is called the *share* of unemployment that is constituted by long-term unemployment (that is, long-term unemployment -12 months or more- as a percentage of total unemployment). The picture is worrying – almost half of unemployed people in EU-28 are long-term unemployed (48.2 per cent, Quarter 4, 2015) (Eurostat online

[8] 'available for work but not seeking', 'underemployed' and 'seeking but not available for work' (European Commission 2016).

database, code lfsq_upgal). Within the Euro Area the share exceeds 50 per cent (51.3 per cent, Quarter 4, 2015) (Eurostat online database, code lfsq_upgal).

At the end of 2015, the share of long-term unemployment was above 50 per cent in ten countries – worst amongst them is Greece (where long-term unemployment represents 74.3 per cent of unemployment) (Quarter 4, 2015). It constitutes more than 60 per cent of unemployment in Croatia and Slovakia, and more than 50 per cent in Spain, Belgium, Slovenia, Ireland, Portugal, Italy and Bulgaria (Quarter 4, 2015) (Eurostat online database, code lfsq_upgal). At the other end of the scale, long-term unemployment represents 21.6 per cent of total unemployment in Sweden and approximately 28 per cent in Denmark and Finland (Quarter 4, 2015).

Some countries have higher transition rates from long-term unemployment back to employment than others. Notably, Denmark has the smallest share of persistent long-term unemployment and the chances of moving into employment from long-term unemployment are quite high there (40 per cent) (European Commission 2016a). In Denmark, Austria, Finland, Sweden, Germany and Latvia less than 20 per cent of the short-term unemployed became long-term unemployed in the following year (referring to labour market status in 2014 of people long-term unemployed in 2013)(European Commission 2016a). By contrast in Bulgaria, Greece and Slovakia, the proportions were of the order of 40 per cent (European Commission 2016a).

The European Commission's review for 2015 notes that long-term unemployment has not affected all groups of the EU-28 population equally. Those facing the highest risks *before* the crisis suffered most *during* the crisis and to this day. These are the low-skilled, the young and young adults as well as workers born in a third country (European Commission 2016a).

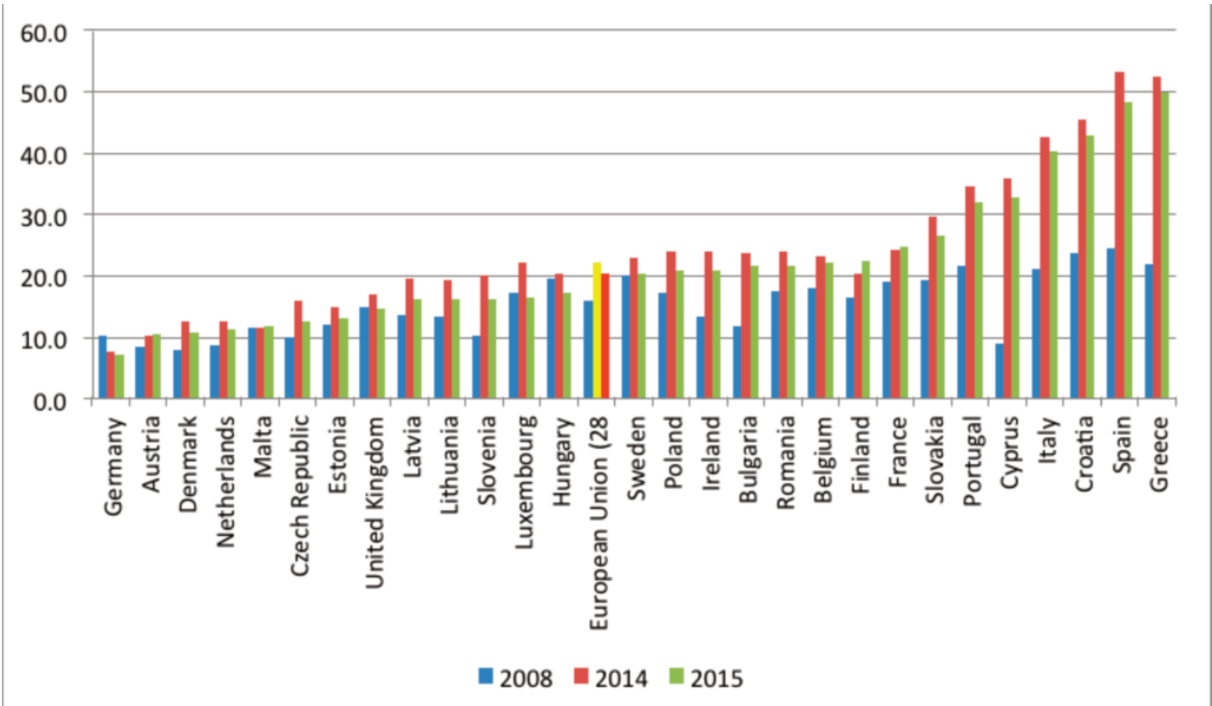
Of all the age groups, the youngest and oldest workers were hardest hit by long-term unemployment in the crisis and while older workers are less likely to become unemployed than other workers, once they become long-term unemployed they face greater difficulties in finding a new job (European Commission 2016a). The youngest workers (20-24) were most affected by long-term unemployment both before and during the crisis, with the recession pushing more of them into long-term unemployment than older age groups. Nevertheless, according to the European Commission, younger workers seem to have relatively high chances of finding a job, while the older long-term unemployed people had the worst chances of returning to employment (2016a). These factors create the potential for long-term marginalisation of some groups.

3.3 Youth Unemployment

As **Figure 24** shows, there is great variation in the rates of youth unemployment across Europe and there were very great variations in the rate of its increase since 2008. The rates (2015) were over 40 per cent in Greece (49.8 per cent), Spain (48.3 per cent), Croatia (43 per cent) and Italy (40.3 per cent) notwithstanding an improvement in all those countries between 2014 and 2015 (Eurostat online database une_rt_a). Relatively high rates of over 30 per cent occurred in Cyprus (32.8 per cent) and Portugal (32 per cent). By contrast, the 2015 rate in Germany was 7.2 per cent and that in Austria was 10.6 per cent.

In the previous report in this series, we reported on the great dis-improvement in the youth unemployment position between 2008 and 2014. Germany was the only country where the rate improved between 2008 and 2014. Greece, Spain, Cyprus, Croatia and Italy were the countries where the rate dis-improved most. The degree of change in youth unemployment between 2008 and 2014 varied a great deal between EU countries, as can be seen from **Figure 24**. This picture of very steep increases in many countries in youth unemployment since 2008 provides the backdrop against which recent improvements must be seen.

Figure 24 Youth Unemployment (% of active population), EU-28, 2008, 2014 and 2015



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

Figure 25 shows how the position improved in most EU countries between 2014 and 2015. At the end of 2015 some 4.6 million young people (under 25) were unemployed in the EU-28 (Eurostat une_rt_a). Latest updates suggest that in June 2016, the figure was 4.2 million in the EU28 (Eurostat 2016b). In June 2016, the youth unemployment rate[9] was 18.5 per cent in the EU28 and 20.8 per cent in the euro area, down from 20.6 per cent and 22.5 per cent, respectively, in June 2015.

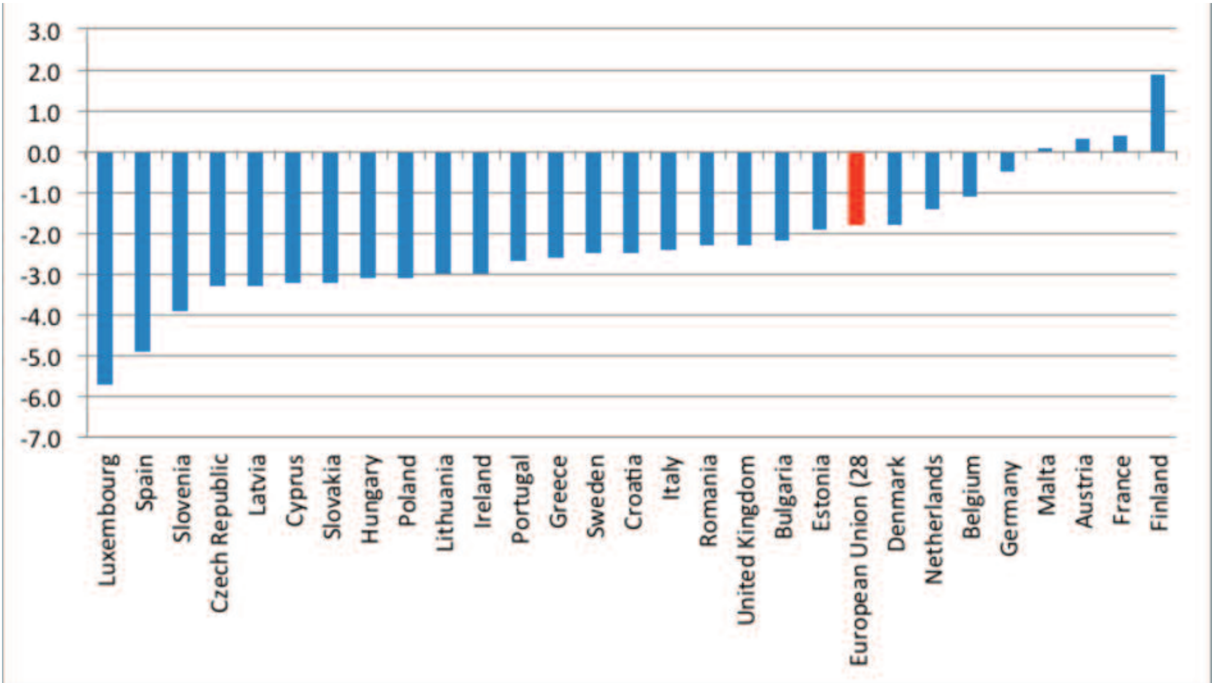
In June 2016, the lowest rates were observed in Malta (6.9 per cent) and Germany (7.2 per cent), and the highest in Greece (47.4 per cent in April 2016) and Spain (45.8 per cent) (Eurostat 2016).

[9] The *youth unemployment rate* is the number of people aged 15 to 24 unemployed as a percentage of the labour force of the same age. Therefore, the youth unemployment rate should not be interpreted as the share of jobless people in the overall youth population. Because not every young person is in the labour market, the youth unemployment rate does not reflect the proportion of all young adults who are unemployed. Youth unemployment rates are frequently misinterpreted in this sense. For further details please refer to the *Youth unemployment* article in Statistics Explained: http://ec.europa.eu/eurostat/statistics-explained/index.php/Youth_unemployment

While rates in countries such as Greece and Spain have improved since their extremely high rates in 2013 (when they were around 60 per cent and 56 per cent, respectively (European Commission 2016b)), unfortunately, they are still relatively very high.

Eurostat figures suggest that in 2015 there were still more that 400,000 young people unemployed in EU-28 than in 2008 (Eurostat une_rt_a).

Figure 25 Youth Unemployment, EU-28, PP Change 2014-2015



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

Young people's long-term unemployment rates were also affected by the crisis. In 2008, the long-term unemployment rate for young people was 3.6 per cent, increasing to 8 per cent by 2013 but reducing to 6.6 per cent in 2015.

A related area of concern involves young people who are neither in education nor employment (known as NEETS). The NEET rate is one of the most concerning indicators relative to young people with its indication of detachment and discouragement in relation to both work and education – and this is especially true at a time when youth unemployment is so high. It includes young people who are conventionally unemployed as well as other vulnerable groups such as young disabled people and young carers (Eurofound 2016). It had been decreasing for all age categories across Europe prior to the crisis (Eurofound 2016).

The EU-28 average NEET rate (ages 15-24) was 12 per cent in 2015, down slightly from 12.5 per cent in 2014 but still higher than in 2008 (10.9 per cent) (Eurostat edat_lfse_20). This means that 12 per cent of this age group were neither in employment nor in education or training in 2015. In 2015 it represented some 6.6 million young people aged 15-24. When

we look at the age group 15-29, some 14 million young people were in this category in 2015, a NEET rate of 14.8 per cent for that age group (Eurofound 2016: 11;15). Thus the rate increases with age (up to age 29), young women are more likely to be NEET than young men, and it varies a lot between member states as does the extent to which it has increased since 2008 (Eurofound 2016).

The 2015 NEET rate (ages 15-24) was highest in Italy at 21.4 per cent. Rates were also above the EU-28 average in Bulgaria, Croatia, Romania, Greece, Spain, Cyprus, Ireland, Slovakia and Belgium. At the other end of the scale, the countries with the lowest rates were the Netherlands (4.7 per cent), Denmark, Germany, Luxembourg and Sweden. In absolute terms, the population of NEETS is highest in Italy and the UK with approximately one million young people in this category in the each country (Eurofound 2016: 15). A recent review from Eurofound found that as well as variation between countries in the NEET rates, there are also wide variations among countries in the composition of the NEET population (Eurofound 2016). The tendency in most Nordic, western and continental countries is for the largest groups to be short-term unemployed, while in some southern and Mediterranean countries the shares of long-term unemployed and discouraged workers are higher. In eastern European countries, the majority of NEETs are women who are in that category due to family responsibilities. Approximately 40 per cent of NEETs are in that category for reasons that are not connected with the labour-market but more to do with issues like family responsibilities, illness or disability.

Just 57 per cent of NEETs were registered with public employment services in 2013 – this means that they are not targeted by schemes attempting to address youth unemployment such as Youth Guarantee initiatives (Eurofound 2016). Serious concerns are now surfacing about the so called 'missing' NEETS – young people who have a low level of education, have no work experience and are not registered with public employment services, and are therefore very difficult to reach and at risk of becoming deeply alienated (Eurofound 2016). In the EU in 2013 some 19 per cent of NEETs (aged 15-24) were classified as 'missing.'

While there have been welcome improvements in youth unemployment within the past year, the situation is still extremely difficult especially for some groups and in some countries. The OECD has noted that the transition from school to work has never been particularly easy; but for millions of young people in OECD countries, it has become nearly impossible (2015).

3.4 Summary and Conclusions

Employment has continued to increase in the EU and in the Euro Area since 2014. However, there is great variation between member states in relation to employment levels with a 25 percentage point difference in 2015 between the country with the highest level (Sweden) and that with the lowest (Greece). Furthermore, there is still a gap between EU average rate and the 75 per cent target set in the Europe 2020 Strategy. There are also a number of issues in relation to how the employment situation has evolved, concerning increased rates of temporary employment, increased part-time employment (much of it involuntary) especially in some member states, and pay levels decreasing or stagnating in many countries especially for disadvantaged groups. Without decent jobs, some workers continue to experience poverty.

Some 21 million people in the EU28, of whom 16.3million were in the Euro Area, were unemployed in June 2016 (Eurostat 2016b). There has been a gradual reduction in unemployment since 2013, but it still affects some 6.1 million people more than in 2008 (Eurostat code une_rt_a). Rates diverge greatly between countries. Greece and Spain had the highest rates in 2015 while the lowest rate was in Germany.

The long-term unemployment picture continues to be worrying – around 11 million people or almost half of unemployed people in EU-28 are long-term unemployed. While unemployment has been declining since 2013, long-term unemployment has only recently stopped rising (European Commission 2016a). Long-term unemployment has not affected all groups equally and the low-skilled, the young and young adults as well as workers born in a third country are particularly affected. In terms of age groups, the youngest and oldest workers have been hardest hit by long-term unemployment.

Very steep increases in youth unemployment occurred in many countries following 2008. Improvements have occurred in the position in most EU countries between 2014 and 2015. Nonetheless, at the end of 2015 some 4.6 million young people (under 25) were unemployed in the EU-28 (Eurostat une_rt_a). Rates in countries such as Greece and Spain have improved since their extremely high rates in 2013, but, unfortunately, they are still relatively very high. Eurostat figures suggest that in 2015 there were still more that 400,000 young people unemployed in EU-28 than in 2008 (Eurostat une_rt_a).

The long-term unemployment rate for young people has improved but is also still higher than in 2008. Twelve per cent of the age group 15-24 (approx. 6.6 million people) was neither in employment nor in education or training in 2015 and this rate is still higher than it was in 2008. Some 14 million young people aged 15-29 were in this category. This (known as the NEET rate) is one of the most concerning indicators relative to young people with its indication of detachment and discouragement in relation to both work and education.

The European Commission has noted that some of the Member States that have been most resilient during the crisis have high levels of employment protection legislation, particularly Germany, Sweden, the Netherlands and the Czech Republic (2015a).

Despite recent, welcome improvements, Europe still faces some very significant employment challenges including the fact that there continue to be divergent experiences across countries. Exclusion from the labour market substantially limits individual opportunities for self-realization, contributes to an increased risk of poverty, and can lead to serious health stresses (Schraad-Tischler 2015). As the European Commission comments (2016), the employment recovery is far from robust in some countries.

4.

KEY SERVICES

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

There are at least three functions of welfare systems that 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). It is recognised that as well as income support, access to enabling services (such as early childhood education and care, education and training, transport, housing, job assistance, debt-counselling, health care, and long-term care) also play an essential role in reducing depth of poverty and supporting people to improve their living conditions and employment prospects (Social Protection Committee 2015a).

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

4.1 Education

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

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

In th˝is section we will look at progress towards achieving these targets along with the situation in relation to lifelong learning and adult literacy. As mentioned in **Section 1**, above, *Social Justice Ireland* includes the right to relevant education amongst its core rights that need to guide policy-making in the future.

Early School-Leaving

It is recognised that improved educational achievement of young people is a cross-cutting measure that addresses two priority areas of the Europe 2020 Strategy - that for 'smart growth' by improving skills levels, and 'inclusive growth' by tackling one of the major risk factors for unemployment and poverty. Reducing early school-leaving is therefore seen as a 'gateway' to achieving other Europe 2020 Strategy targets.

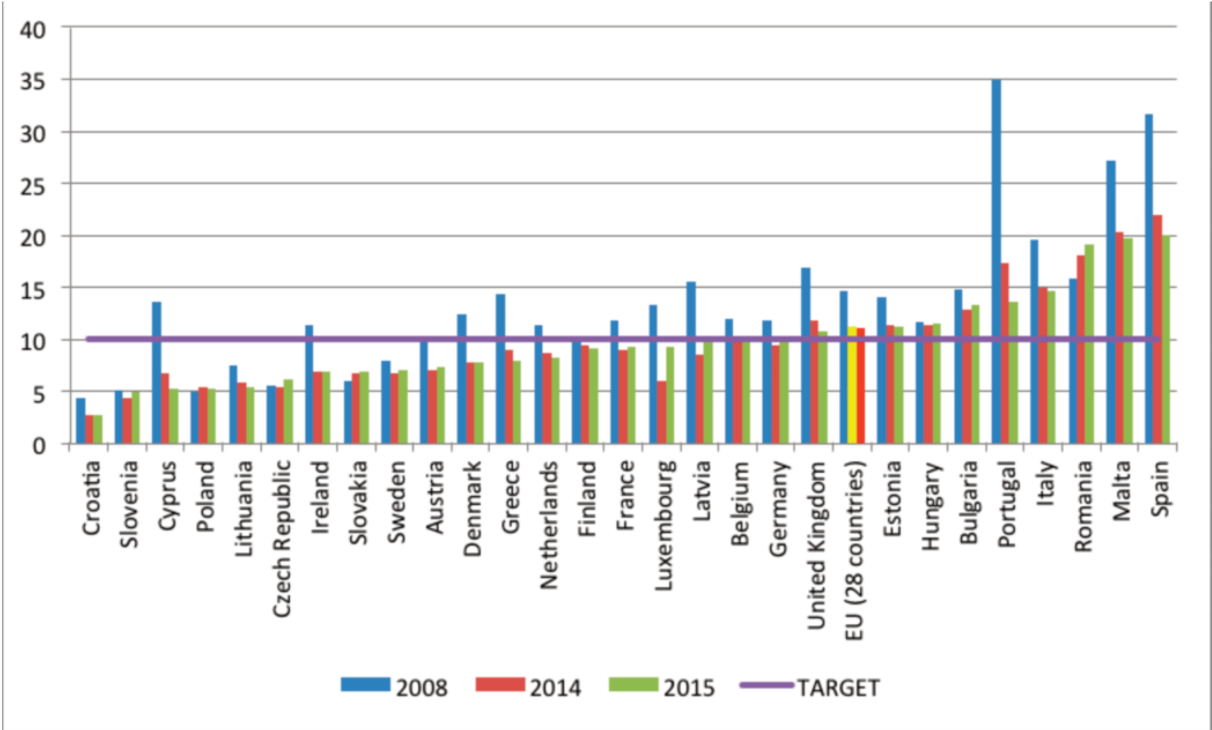
Leaving school before completing upper secondary education is often the outcome of a process of disengagement triggered by problems that can be related to the course of study, the school, or to certain health, personal, or emotional difficulties young people face. It can be associated with the socioeconomic or family background of pupils, to limited access to quality education or to an individual's preferred choice of study, which may be especially problematic in rural or disadvantaged areas (European Commission 2013c). There are also

considerable variations within groups, with migrant children often more severely affected than others and there can be large disparities from one region to the next.

Early leavers from education and training are defined as those aged 18-24 with at most lower secondary education and who were not in further education or training during the last four weeks preceding the survey[10].

The average early school leaving rate across Europe in 2015 was 11 per cent, a percentage point higher than the 10 per cent target set in the Europe 2020 Strategy. However, it has fallen significantly from 2008, when it was 14.8 per cent (Eurostat online database, t2020_40). There are wide disparities between European countries when it comes to the rate; while some countries have very high rates, others already have rates that are much better than the Europe 2020 target of 10 per cent. See **Figure 26**. As we reported in the last report in this series, this rate has been improving in most European countries since 2008 and there have been very significant decreases in the rate in countries with relatively high levels such as Spain and Portugal.

Figure 26 Early School-Leaving (%), EU-28, 2008, 2014 and 2015



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

In 2015 the highest rates of early school leaving were to be found in Spain (20 per cent, significantly down since 2008), Malta (19.8 per cent), Romania (19.1 per cent), and Italy (14.7 per cent). Portugal is the country showing the greatest decrease in the rate between 2014 and 2015 (-3.7 percentage points). There have also been improvements within the year

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

of one percentage point or more in Spain, Cyprus, Greece and the United Kingdom. The country showing the greatest increase in the rate within the year is Luxembourg.

There is still a very great gap (of approximately 16-17 percentage points) between the countries with the highest rates (Spain, Malta and Romania, all with rates of more than 19 per cent), and those with the lowest, Croatia (with a rate of 2.8 per cent).

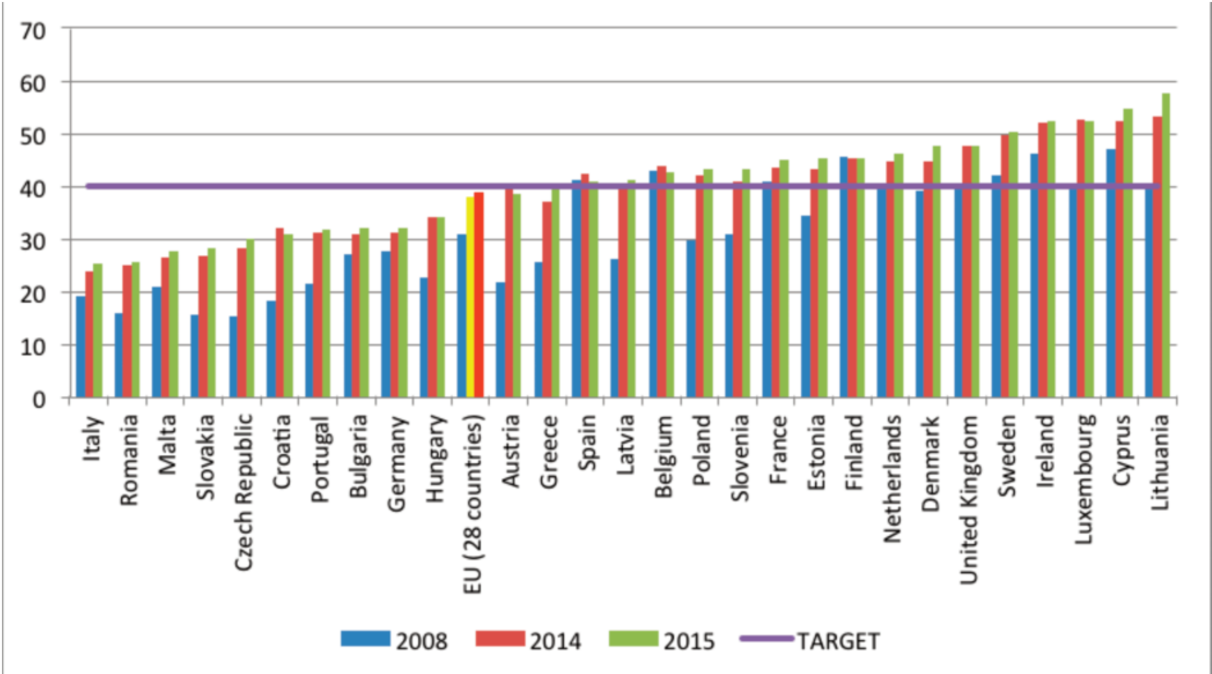
Improvements in the rate of early school leaving between 2014 and 2015 and indeed since 2008 are welcome. However, because its consequences for individuals and for society are so grave in terms of increased risk of unemployment, poverty and social exclusion (European Commission 2013c), it is an issue that requires ongoing attention from policy-makers.

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 2015, the EU-28 average was 38.7 per cent, which had improved considerably since 2008 when it was 31.1 per cent (Eurostat online database code t2020_41). Many countries have already exceeded the target already as **Figure 27** shows, with Lithuania, Cyprus, Luxembourg, Ireland and Sweden at the top of the league (all with rates at or over 50 per cent), and Italy and Romania at the bottom. There is a 32 percentage point gap between the country with the highest rate (Lithuania) and that with the lowest (Italy) in 2015.

The rate has improved in many countries between 2014 and 2015, with Latvia (4.3 percentage points), Greece (3.2 percentage points), Denmark (2.7 percentage points) and Slovenia (2.4 percentage points) amongst the countries showing the greatest improvement.

Figure 27 Tertiary Education Attainment (%), EU28, (ages 30-34) 2008, 2014 and 2015



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

One of the problems that Europe now faces is that progress not only needs to continue to be made to address the Europe 2020 strategy targets in education, but also to manage problems that have emerged/worsened, especially since 2008. For example, a phenomenon that needs to be addressed is the cohort of young people neither in education nor employment – or NEETs, as discussed in **Section 2** of this report. As mentioned, this is considered one of the most concerning indicators relative to young people. The EU average rate in 2015 was 12 per cent and this rate was highest in Italy at 21.4 per cent (those aged 15-24) (Eurostat edat_lfse_20). One commentator describes the emergence of this phenomenon as leaving the Europe 2020 targets 'wide of the mark' (Hemerijck 2014:2). A recent 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).

In **Section 2** of this report, we referred to the assessment of the OECD that the transition from school to employment had become almost impossible for millions of young people in OECD countries (2015). Among the factors that they point to in terms of integrating young people into the world of work are education systems that are flexible and responsive to the needs of the labour market, access to high-quality career guidance and further education that can help young people to match their skills to prospective jobs (OECD 2015).

Lifelong Learning

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

European countries with the highest levels of participation in lifelong learning for both employed and unemployed people also have the highest labour market performance in terms of having the highest transition rates out of unemployment and lowest transition rates from employment to unemployment, which obviously has positive implications for the prevention of long-term unemployment (European Commission 2015a). Low participation in lifelong learning and training especially affects the low-skilled whose chances of finding a job tend to be rather bleak because they lack the skills needed (European Commission 2016a). Despite their apparent greater need for training, the participation of low-skilled people in lifelong learning/training activities (both when employed and unemployed) is much lower than for other groups (European Commission 2016a).

In 2015 the average rate of participation in lifelong learning was 10.7 per cent (measured through the participation rate for people aged 25-64 in training and education in the past

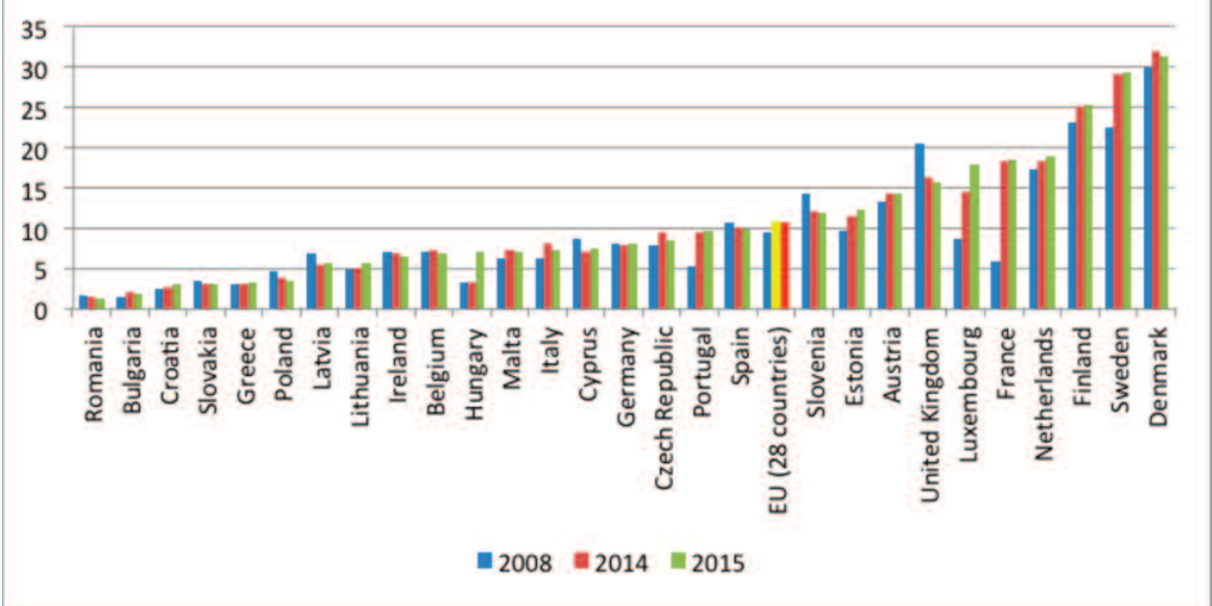
four weeks[11]) across EU-28 as a whole, and this was higher than it had been in 2008 (9.5 per cent) (Eurostat online database, tsdsc440). The European Commission argues that such a relatively low rate (representing just one in ten of those aged 25-64 regardless of labour-market status) represents a real lost opportunity (2016a).

There is great variation across Europe in terms of the rates of participation. Nordic countries tend to top the table; in 2015 in Denmark the rate was 31.3 per cent, in Sweden it was 29.4 per cent and in Finland it was 25.4 per cent. Next came the Netherlands, France and Luxembourg. The lifelong learning rate is extremely low in other countries especially in Romania (1.3 per cent) and Bulgaria (2 per cent), and also in Croatia, Slovakia, Greece and Poland. Thus there is a 30 percentage point difference between Denmark with the highest rate and Romania with the lowest. See **Figure 28.**

There have in general not been great changes in the rates between 2014 and 2015, with the exception of sizable increases in Hungary (+3.8 percentage points) and Luxembourg (+3.5 percentage points) and a decrease of 1.1 percentage points in Czech Republic.

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

Figure 28 Lifelong Learning, (%) EU-28, 2008, 2014 and 2015



Source: Eurostat online database, **tsdsc440**

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

The European Commission draws attention to the fact that several of the countries with the highest rates of participation in lifelong learning are also the world's most competitive (European Commission 2015a). This is evidenced by the fact that in 2016, Sweden, Denmark and the Netherlands, which are amongst the top four countries in terms of lifelong learning participation rates, are also ranked as 5th and 6th and 8th, respectively, amongst 61 economies in terms of competitiveness (IMD Competiveness Scoreboard 2016).

The Commission notes that lifelong learning is a key part of a package (along with investment in activation and effective unemployment benefits) that enabled some countries (Austria, United Kingdom, Germany, Denmark and Sweden) to fare better in terms of employment during the crisis with high levels of returns to employment (European Commission 2016a). The Commission sees lifelong learning/training as a key part of helping long-term unemployed people back to work (European Commission 2016a).

Adult Literacy

Problems relating to **adult literacy** represent a challenge for individuals and for societies and are a potentially significant barrier to achieving the aims of the 2020 Strategy for inclusive growth, given that those with low literacy skills are almost twice as likely to be unemployed than others, are more likely than those with better literacy skills to report poor health, to believe that they have little impact on political processes, and not to participate in communal or volunteer activities (OECD, 2013). The OECD has shown the importance of literacy, numeracy and problem-solving in technology-rich environments on labour-market outcomes (2013). As the OECD puts it, adults are expected to use information in complex ways and to maintain and enhance their literacy skills to adapt to ever changing technologies. Literacy is important not only for personal development, but also for positive educational, social and economic outcomes (OECD 2016). According to the OECD (2015), even amongst new graduates, 10 per cent have poor literacy skills and 14 per cent have poor numeracy skills, while more than 40 per cent of those who left school before completing their upper secondary education have poor numeracy and literacy skills.

Assessments of literacy across countries tend to be complicated processes and a number are available. We look briefly at one indicator of adult literacy across Europe – the OECD's Survey of Adult Skills (OECD, 2013). In last year's report in this series, we looked at the average performance in literacy and in this year's report we also include average performance in numeracy.

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). Conducted in 40 countries, it also examined reading digital texts, and involved 5 levels of skill graded from below level 1 to level 4/5. Each level of proficiency is described within the study. For example, an indication of the types of tasks that respondents can complete at below level 1 is as follows:

> 'The tasks at this level require the respondent to read brief texts on familiar topics to locate a single piece of specific information. There is seldom any competing information in the text and the requested information is identical in form to information in the question or directive. ..... Only basic vocabulary knowledge is required, and the reader is not required to understand the structure of sentences or paragraphs or make use of other text features. Tasks below Level 1 do not make use of any features specific to digital texts' (OECD 2013: 64).

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 17 European countries that participated in the surveys.

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

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

Source: OECD, 2013: Survey of Adult Skills (PIAAC) (2012), Table A2.2a p 70; 2.6a, P 80. OECD member countries that are outside the EU omitted from this table. Literacy-related non-respondents are not included in the calculation of the mean scores.

The average literacy score the OECD member countries participating in the assessment is 273 points. Looking only at EU countries, Italy (250 points) and Spain (252 points) record the lowest average scores, while Finland (288 points), the Netherlands and Sweden record the highest. This means that an adult with a proficiency score at the average level in Italy can typically only successfully complete tasks of level 2 literacy difficulty; in Finland the corresponding level of difficulty is higher - level 3.

The average numeracy score among the OECD member countries participating in the assessment is 269 points. Looking only at 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 relatively small (OECD 2013).

Certain limitations in the survey are acknowledged, thus there is a degree of uncertainty relative to these estimates. It is also to be remembered that only 17 out of 28 EU countries participated.

In both literacy and numeracy proficiency five participating countries do significantly better than average – Finland, Netherlands, Sweden, Estonia and Belgium. We can 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 they also tend to be better performers across all indicators (looking at their performance in 2015). Specifically, all five have rates for tertiary attainment (by 30-34 year olds) that are better than the EU average. All but Estonia have rates that are better than the EU average for early school leaving and the rate for Estonia is very similar to the EU-28 average. All but one (Belgium) also have rates of participation in lifelong learning that are better than the EU average and three of them (Finland, Netherlands and Sweden) are amongst the countries with the highest rates of participation in lifelong learning. This examination suggests that the policies pursued by some countries, seem to impact a range of different groups positively, most notably Finland, the Netherlands, Sweden, Estonia and Belgium.

Finland and Estonia are singled out in the latest survey 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). In Finland a commitment to the prevention of poverty, inequality and exclusion is a feature of the current education-policy programme (2011-2016) even though the Finnish education system is shown to already demonstrate a high degree of justice and equality (Schraad-Tischler and Kroll, 2014).

There are six countries which are considered significantly worse than average for both literacy and numeracy performance – Cyprus, Poland, Ireland, France, Spain and Italy. When we look at the performance of these countries across the other three indicators, it is more mixed (looking at rates for 2015). Four of them have a better rate for early school leaving than the EU average, Spain and Italy being the exceptions (and the rate in Cyprus has improved only in recent years). Five of them score above average for third level attainment by 30-34 year olds. In this case Italy is the exception, and in fact Italy has the lowest rate amongst EU countries (again looking at rates for 2015). However, when it comes to lifelong learning, all but one of them perform at levels lower than the EU average – the only exception being France (and France displays a very big improvement in its performance on this indicator since 2008).

It is clear that these are complex and dynamic issues involving policy impacts on different groups and age cohorts over time and in which the policies pursued can have quite different outcomes in relation to different indicators and for different groups.

4.2 Education - Conclusion

This review suggests that progress is being made in reaching targets set in the European 2020 Strategy to address early school leaving and to improve third level educational attainment.

However, there continues to be a great deal of divergence in these indicators between different countries. While some countries with high underlying levels of early school leaving (such as Spain and Portugal) have seen significant reductions in there rates in recent years, there is still a very great gap (of approximately 16-17 percentage points) between the countries with the highest rates and those with the lowest. One of the problems that Europe now faces is that progress not only needs to continue to be made to address the Europe 2020 strategy targets in education, but also to manage problems that have emerged/worsened since 2008 such as the cohort of young people neither in education nor employment (or NEETs). Young people with lower educational levels are more likely to enter the NEET category than those with higher levels.

Overall, many countries still have relatively very low rates of participation in lifelong learning, particularly for low-skilled groups, something considered a missed opportunity in terms of labour-market policies. Several of the countries with the highest rates of participation in lifelong learning are also the world's most competitive (Sweden, Denmark and the Netherlands). There is also much to be done to improve adult literacy in many countries. Taking in additional indicators of lifelong learning and one measure of adult literacy suggests that policies pursued by some countries, seem to impact a range of different groups positively, most notably Finland, the Netherlands and Sweden, and also Estonia and Belgium.

4.3 Health Services

Access to high-quality health services is essential for good quality of life and inclusive growth, a main objective of the Europe 2020 strategy. As mentioned in **Section 1**, above, *Social Justice Ireland* includes the right to essential healthcare amongst its core rights that need to guide policy-making in the future.

As we reported in the last report in this series, dramatic health spending reversals have occurred in recent years compared with the period prior to the crisis in OECD countries hardest hit by the crisis (OECD 2014). In the years following the economic crisis, many people in EU member states experienced an erosion of health coverage as before the crisis, unmet need for health services had been falling across the EU, whereas by 2014 it had once again reached the level of 2007 (Thomson, Evetovits and Kluge 2016). Consistently, the OECD reports that in all its member countries, people with low incomes are more likely to report unmet care needs than people with high incomes, and this is something we will look at in more detail below (OECD, 2014).

A working paper on the short-term health impact of the crisis from the OECD suggests that at times of economic crises, mental health deteriorates and the prevalence of communicable diseases appears to rise, but at the same time there are fewer deaths from transport accidents (van Gool and Pearson 2014). The study also found that a higher rate of unemployment is strongly linked to lower health care use, which may have longer term consequences not evident in the available data. Inequality in life expectancy between the better off and the poorest people has been highlighted recently: Therborn argues that 'there is no more urgent task in rich countries than to tackle vital inequality: the inequality of life, health and death' (Therborn

2015). Therborn refers to a solid body of evidence that unemployment produces premature death and estimates that there may have been as many as 235,000 premature deaths in the EU arising from the increase of about 9.5 million in unemployment following the crisis.

It is difficult in a report of this nature to assess impacts of the crisis and austerity measures following 2008 on the provision of health services. There are difficulties in comparing health systems, health expenditures and health outcomes for different groups across countries, particularly in identifying meaningful indicators for which data are available for all EU states. When self-reported measures of the experience of health services are used, there is a danger of cultural differences and divergent local expectations affecting the outcomes. Another issue is that the impacts of the crisis and its aftermath are likely to be seen only in the longer term. However, analysis is emerging in relation to the health-policy response.

For example, Thomson and colleagues draw on a study on the impact of the crisis on health and health systems in Europe (from 2008 to 2013) carried out jointly by the European Observatory on Health Systems and Policies and the WHO Regional Office for Europe. They report:

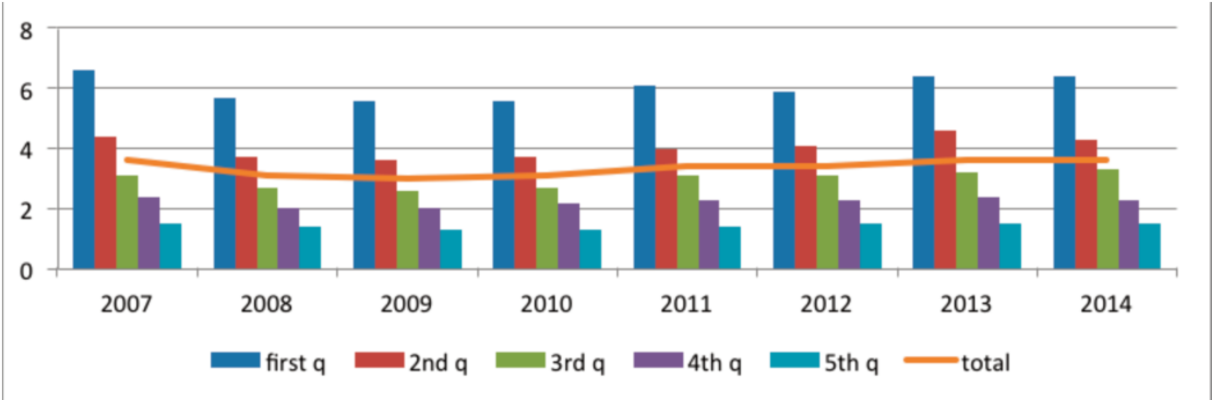
- Public spending on health fell to such an extent that the level of spending per person in 2013/14 was around the level of 2007/08 in Croatia, Cyprus, Italy, Latvia, Luxembourg, Slovenia and Spain, and around the level of 2003/04 in Greece, Ireland and Portugal.
- In several countries, the increase in the out-of-pocket share has been large, indicating a substantial shifting of health care costs from governments to households at a time when many households were facing additional financial pressure. For example, in Ireland, Portugal and Spain, the out-of-pocket share in 2014 was higher than in any year since 1995.
- During the crisis, six EU countries reported reductions in population entitlement, with almost all of the reductions affecting relatively poor households (Cyprus, Ireland, Slovenia) and non-citizens (the Czech Republic, Spain).
- Unemployed people are highly vulnerable in countries where unemployment (that extends beyond a fixed period) results in exclusion from publicly funded health services. For example, in Greece estimates suggest that around a fifth of the Greek population lost entitlement to comprehensive health coverage due to unemployment or inability to pay contributions – an alarming situation that has as yet to be resolved (Thomson, Evetovits and Kluge 2016).

These authors point to evidence from previous economic shocks that in a downturn it is important that public spending should rise as gross domestic product (GDP) is falling in order to protect health and health system performance (Thomson, Evetovits and Kluge 2016). They conclude that it is evident that the remarkable progress EU countries made in meeting universal health coverage goals in the decade before the crisis has been partly undone as a result of the crisis. They argue – and we agree - that the fact that so many countries failed to prevent erosion of health coverage for the most vulnerable people (as seen in rising unmet need, especially amongst poorest households) should be a matter of concern to national and international policy makers in the EU.

We will look at two approaches which both allow an examination over time. The first is self-reported unmet need for medical help which is published by Eurostat. The second, a combined approach that has been taken to assessing and comparing health impacts over time using a range of different indicators in the index of social justice published by Bertelsmann Stiftung (Schraad-Tischler 2015).

Eurostat publishes rates of self-reported unmet need for medical examination or treatment over time, an indicator defined as the share of the population perceiving an unmet need for medical examination or treatment (online database code tsdph270). This is one of the social protection indicators used in the social protection performance monitor (SPPM) by the Social Protection Committee of the European Commission. In its latest reports, the Committee has highlighted increases in self-reported unmet need for medical care (9 member states) as a major negative trend seen since 2008 (The Social Protection Committee 2015; 2016). A number of reasons may be given for inability to avail of medical treatment, but in this case we look at reasons associated with problems of access (could not afford to, waiting list, too far to travel).

Figure 29 Self-reported unmet need for Medical Examination or Treatment Due to Problem of Access (%), EU-28, 2007-2014, By income Quintile

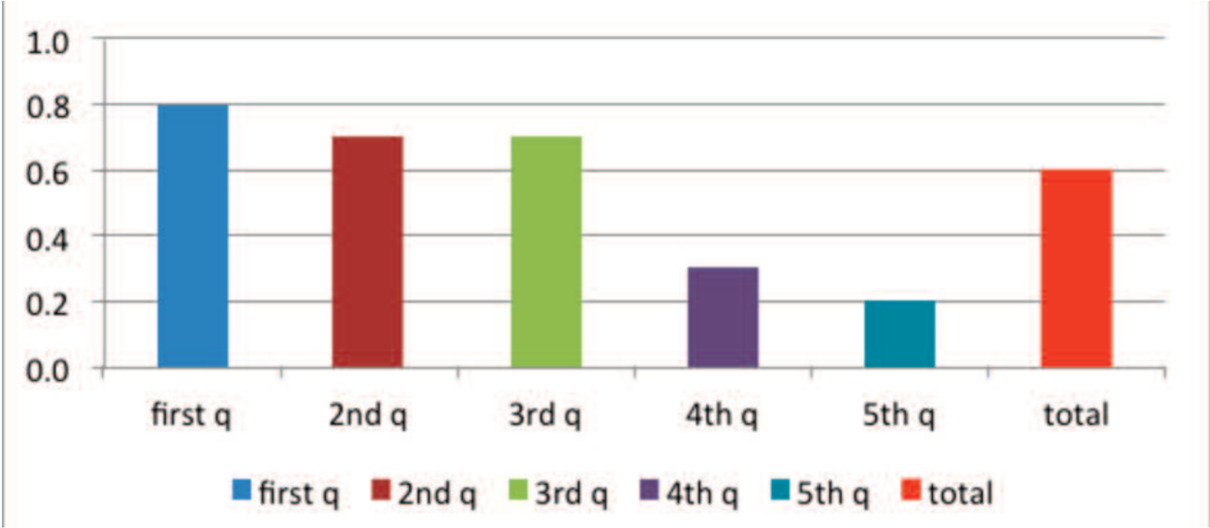


Source: Eurostat online database tsdph270/ hlth_silc_08. Reasons associated with problems of access: 'could not afford to, waiting list, too far to travel'. Rates prior to 2010 refer to EU27, thereafter EU28.

The average rate of perceived unmet need for medical treatment (due to difficulties with access) was falling up until 2009 when it started to increase again. It rose from 3 per cent (EU27) in 2009 to 3.6 per cent in 2014 (EU28) (the latest year in respect of which rates are published by Eurostat (Eurostat online database code hlth_silc-08). However, as **Figure 29** and **Figure 30** show, the perception is very different between different income quintiles with more perceived, unmet need in the poorer quintiles. While the perception of unmet need rose across all income quintiles between 2009 and 2014, it was least perceived in the top (or 5th) quintile and most in the bottom quintile. **Figure 30** indicates the increased perceptions of unmet need across the 5 quintiles between 2009 and 2014.

Over 3 million more people reported unmet need for health care in 2014 than in 2009 (Thomson, Evetovits and Kluge 2016). Since the onset of the crisis, unmet need due to cost, distance and waiting time has risen across the whole population in 22 out of 28 EU member states and was higher in 2014 than in 2009 among the poorest quintile in 21 out of 28 countries (Thomson, Evetovits and Kluge 2016).

Figure 30 Self-Reported Unmet Need for Medical Examination or Treatment Due to Problem of Access, EU-28. PP change, 2009-2014



Source: Eurostat online database tsdph270/ hlth_silc_08. Reasons associated with problems of access: 'could not afford to, waiting list, too far to travel'. Rates prior to 2010 refer to EU27, thereafter EU28.

When we look at changes between 2013 and 2014, the average perception of unmet need has remained at the same level (3.6 per cent). There has been no change perceived amongst the first and 5th quintile. Of the other three quintiles, the perception of unmet need has reduced amongst those in the 2nd and 4th quintiles and there is slightly more perceived unmet need amongst those in the 3rd quintile (Eurostat online database code hlth_silc-08).

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

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

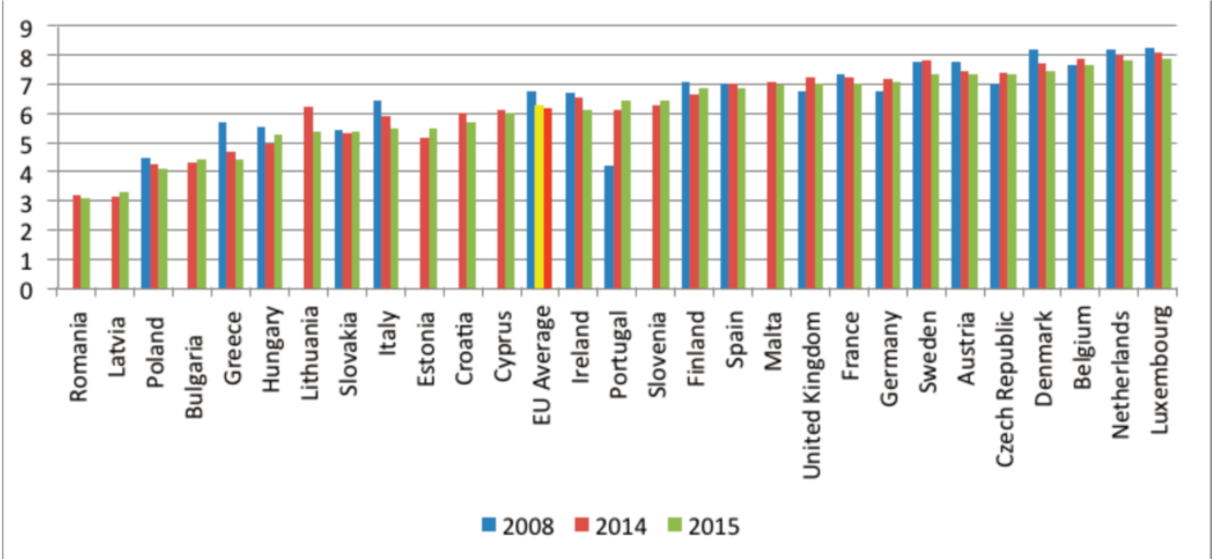
First it is necessary to say a word about the approach taken to assessment of health systems. That report used five indicators to arrive at a basic impression of differing degrees of fairness, inclusiveness and quality between health systems in EU countries and it allocates a score to each country (Schraad-Tischler 2015). There are four quantitative indicators used and one qualitative. One captures the outcome performance of each country's health system; the second addresses the question of accessibility and range of services. (These two are from the EHCI, European Health Consumer Index). Two come from Eurostat using the indicators "healthy life expectancy at birth" and "self-reported unmet needs for medical help" (the latter being the indicator already discussed above). The qualitative indicator looks at policy and is drawn from a Sustainable Governance Indicators survey assessing to what extent policies provide high-quality, inclusive and cost-efficient health care; of the three criteria – quality, inclusiveness and cost efficiency – quality and inclusiveness are given priority over cost efficiency.

Based on this assessment of health for 2015, Luxembourg, the Netherlands, Belgium and Denmark hold the top four positions, followed by Czech Republic, Austria and Sweden. The countries that are rated lowest on this index are Romania, Latvia, Poland, Bulgaria and Greece. Latvia and Romania were placed lowest in the rankings for both 2014 and 2015. See **Figure 31**.

The authors of this report note that the quality of health care is high in most EU countries but there are significant variations between countries with regard both to quality and inclusivity (that is, equality of access). For instance, in Romania, the quality of the public health-insurance system has been undermined by inadequate funding and the *de facto* availability of many medical services is limited leading to widespread bribe-giving by patients even for basic services (Schraad-Tischler 2015).

Amongst the 19 countries for which comparison is possible with 2008, deterioration between then and 2014 is noted in 14 countries. The largest deterioration is seen in Greece and the situation in Greece has also deteriorated again between 2014 and 2015. Greece is placed five places from the bottom of the table (following Romania, Latvia, Poland and Bulgaria). Problems in Greece are associated with austerity measures involving drastic cuts in the health care system and rising poverty which has meant that many people are no longer in the position to undergo essential treatments (Schraad-Tischler Kroll, 2014).

Figure 31 Health Score based on Social Justice Index, 2008, 2014 and 2015 (From Bertelsmann Stiftung)



Source: Schraad-Tischler 2015 (Figure 33). **Note**: some countries were not surveyed in earlier years.

While Sweden remains amongst the top-ranked countries, it was highest in the rankings in 2014 and has dropped slightly[12].

[12] However, when all the issues with which this review of social justice are concerned with are considered (that is, more broadly than health), Sweden is considered the most socially just country in the EU and has consistently maintained its position as the best performing country.

4.4 Health - Conclusion

In the years following the economic crisis, many people in EU member states experienced an erosion of health coverage and those who are poorer have experienced more unmet need than others. The fact that so many countries failed to prevent erosion of health coverage for the most vulnerable people (as seen in rising unmet need, especially amongst poorer households) should be a matter of concern to national and international policy makers in the EU.

Two indicators that we have reviewed suggest that:

- Perception of unmet need for health care is greater amongst poorer people in Europe than richer; it has risen most in recent years amongst the lowest income groups; Over 3 million more people reported unmet need for health care in 2014 than in 2009.
- One assessment of the performance of health systems under a range of indicators (from Berteslmann Stiftung) suggests that while the quality of health care is high in most EU countries, there are significant variations between countries with regard both to quality and inclusivity (that is equality of access). Those systems that performed best in 2015 were Luxembourg, the Netherlands, Belgium and Denmark, Czech Republic, Austria and Sweden. Those performing worst were Romania, Latvia, Poland, Bulgaria and Greece.

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[13] – and that is the one used in this section. The tax-take of each country is established by calculating the ratio of total taxation revenue to national income as measured by gross domestic product (GDP).

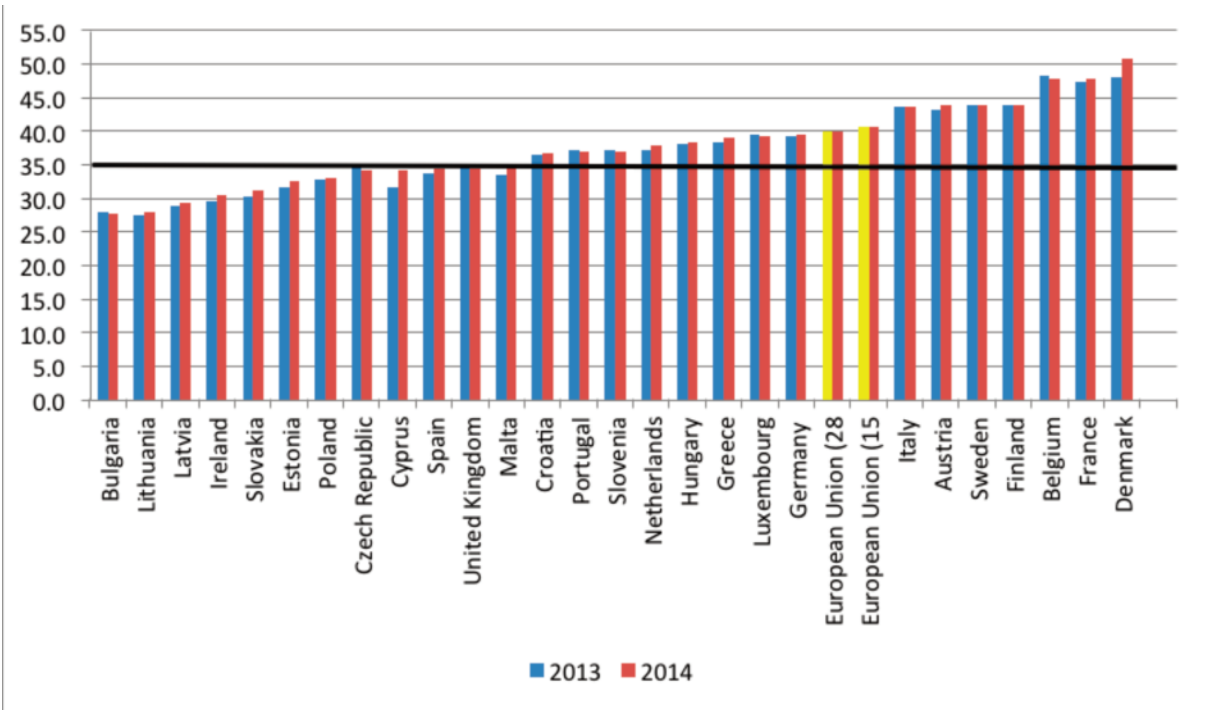
Ratios are currently available up to 2014 when the average amongst EU-28 countries was 40 per cent (similar to the 2013 rate of 39.9 per cent). Taken as a whole, the European Union is a high-tax area relative to some other countries such as the United States and Japan. However, as **Figure 32** shows, there is considerable variation between member states in the EU in respect of total taxes as a proportion of GDP. Seven countries have total taxation ratios greater than the EU average of 40 per cent (in 2014). This ranges from Denmark (50.8 per cent) France, and Belgium (both at 47.9 per cent), to, at the other end of the scale, Romania (27.7 per cent), Bulgaria (27.8 per cent) Lithuania (28 per cent) and also Latvia and Ireland.

Eurostat appears to take 35 per cent of GDP as a ratio that represents a relatively low-tax approach (Eurostat 2008:5).

Already before the 2004 enlargement, several member states had tax ratios close to 50 per cent (such as the Scandinavian countries and Belgium), and also several low-tax Member States (such as Ireland, Spain, the UK and Greece) (Eurostat 2008). However, given the generally lower tax ratios in the accession countries, the 2004 and 2007 enlargement resulted in a significant decline for the EU average value. The highest ratios tend to be found in the 'old' 15 members of the EU. As is seen in **Figure 32**, the first ten highest positions in terms of overall tax ratio (in 2014) are all found amongst these countries.

[13] 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 32 EU-28 Total Taxes (incl ssc) as a % of GDP, 2013 and 2014

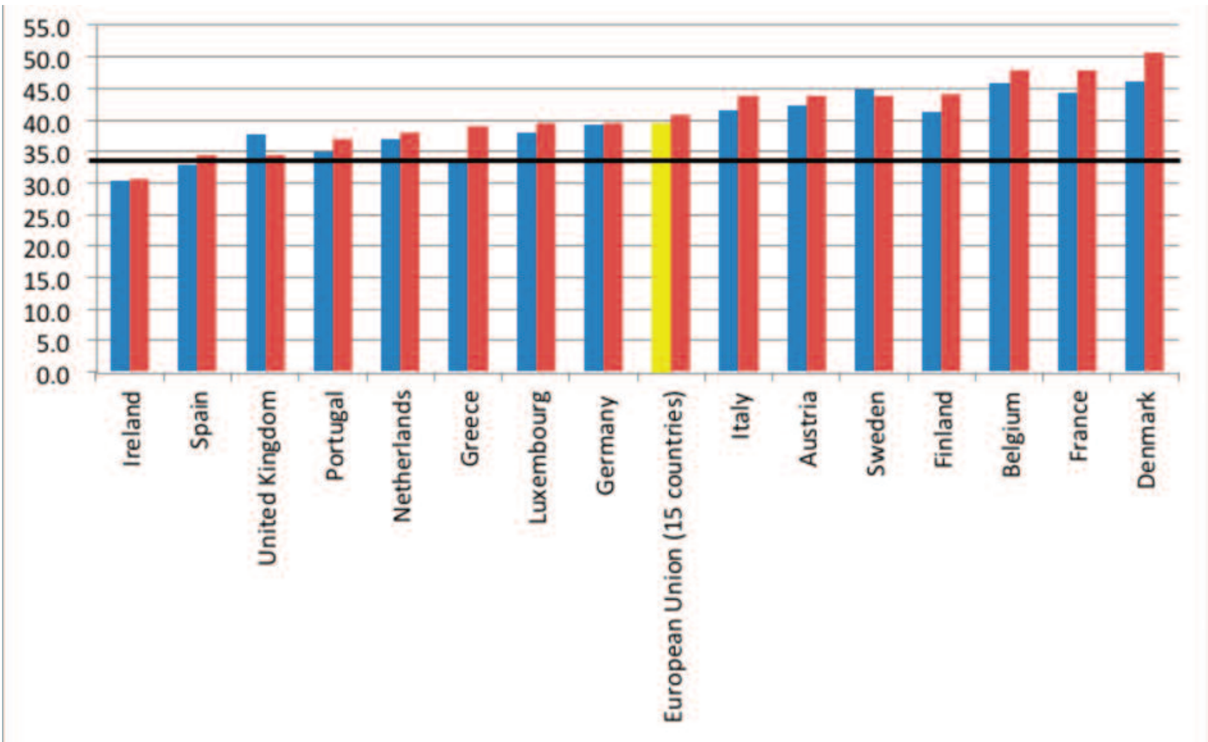


Source: Eurostat Online database: **gov_10a_taxag**. Includes social security contributions. Line indicates 35%, or relatively low-tax threshold.

In **Figure 33** we set out the percentage point change between 2013 and 2014 in the ratio of total tax take to GDP. The biggest increases occurred in Denmark, Cyprus and Malta; the biggest decreases in Czech Republic and United Kingdom. The ratio decreased in 7 countries and increased in 20 (one, Sweden, remained at the same ratio). It is worth noting that in *absolute* terms, tax revenue in 2014 continued the growth from its low-point of 2009 (Eurostat 2016c).

In **Figure 34**, the tax ratios are set out for EU-15 countries only for 2008 and 2014, which shows an average ratio of 40.7 per cent, which is slightly higher than the average for EU-28 countries. When looked at in this way it is Ireland, Spain, United Kingdom, Portugal, the Netherlands and Greece – amongst them several countries hardest-hit during the recent recession and that required programmes of financial assistance – that have the lowest ratios. There is a difference of approximately 20 percentage points between Ireland (30.5 per cent) at the bottom and Denmark (50.8 per cent) at the top of the league (EU-15). In fact 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 Spain's level being 34.4 per cent).

Figure 33 EU-15 Total Taxes (incl SSC) as a % of GDP, 2008 and 2014



Source: Eurostat 2015 Online database:. I gov_10a_taxag. Includes social security contributions. Line indicates 35%, or low-tax threshold.

It is also worth noting that amongst the countries with the highest total taxation ratios relative to GDP are some of the most competitive countries in the world. According to the IMD Competiveness Scoreboard for 2016, Sweden and Denmark are ranked amongst the world's ten most competitive (ranked 5th and 6th, respectively) (IMD 2016). Other countries with a taxation rate of over 35 per cent of GDP, such as the Netherlands (ranked 8th), Luxembourg (ranked 11th) and Germany (ranked 12th), also feature in the world's most competitive countries.

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 inequality, and 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.

Table 5 EU-28: Total Taxation as % GDP (2014)

Taxation to GDP ratio (%) (2014)
Above EU-28 average (%)
Denmark, 50.8
France, 47.9
Belgium 47.9
Finland, 44
Austria, 43.8
Sweden, 43.8
Italy 43.7
Below the EU-28 average but at or above 35% threshold (%)
Germany, 39.5
Luxembourg, 39.4
Greece 39
Hungary, 38.4
The Netherlands, 38
Slovenia, 37
Portugal, 36.9
Croatia, 36.7
Malta 35
Below 35% threshold (%)
Spain, 34.4
United Kingdom, 34.4
Cyprus, 34.2
Czech Republic, 34.1
Poland, 33
Estonia, 32.5
Slovakia, 31.2
Ireland, 30.5
Latvia, 29.3
Lithuania, 28
Bulgaria, 27.8
Romania 27.7

Source: Taxation: Eurostat 2015 Online database: I gov_10a_taxag.

Amongst the countries with the highest total taxation ratios are also some of the countries with the lowest rates of income inequality. In **Section 2, above**, we looked at the S80/20 measure of income inequality (Eurostat ilc_di11). Czech Republic, Finland, Slovenia,

Belgium, the Netherlands, Sweden and Slovakia all have relatively low ratios (below 4 in 2014), which means that they have relatively low rates of difference between those at the top 20 per cent and the bottom 20 per cent of income. Slovenia, the Netherlands, Sweden, Finland and Belgium all had total taxation rates at or above 35 per cent of GDP in 2014. Czech Republic is an interesting case – although they have a total tax ratio below 35 per cent, they score well on income inequality. The Czech Republic does very well at preventing poverty 'despite only having average economic performance levels,' evidencing the importance of public policy choices (Schraad-Tischler, 2015).

Conversely, some of the countries with the lowest total taxation ratios also have the highest levels of income inequality (again using the S80/20 indicator and for 2014) – notably Romania (7.2), Spain (8.6), and Bulgaria (6.8) and also Estonia and Latvia. While Spain has a high 20/20 ratio (8.6, second only to Romania at 7.2 amongst EU-28 countries), there is a big difference between the two countries in the total taxation to GDP ratio. Spain's is 34.4 per cent of GDP, while that of Romania is the lowest in the EU at 27.7 per cent – both ratios are lower than the average and indeed both are lower than the 35 per cent low taxation threshold but only marginally so in the case of Spain.

We can also look again at the levels of poverty or social exclusion set out above. There are 14 countries that have below average rates (in 2014) of poverty or social exclusion. Eleven out of the fourteen have taxation ratios above 35 per cent. The only countries with taxation levels above 35 per cent that also have below average rates of poverty or social exclusion are Czech Republic, Slovakia and the United Kingdom. In the case of the United Kingdom, its poverty or social exclusion rate is only marginally below the EU average, and its total taxation to GDP ratio is just below the 35 per cent threshold (34.4 per cent, 2014). Czech Republic, as we already noted, is considered to perform extremely well in preventing poverty; Slovakia is also considered to perform relatively well in poverty prevention due mainly to the country's comparatively even income distribution patterns (Schraad-Tischler, 2015). As part of the context, it must be acknowledged, that income levels in post-communist countries are still considerably below those in Western Europe. In addition to the overall level of taxation, a range of historical and institutional factors are probably also relevant to the outcomes achieved as are the social policies pursued (Schraad-Tischler and Kroll 2014).

It is also of interest, that, as discussed earlier, the 2015 social justice index use by Bertelsmann Stiftung found that opportunities for every individual to participate broadly (in things like education, health services and the labour market) are best developed in Sweden, Denmark, Finland and the Netherlands (Schraad-Tischler, 2015) – all countries with total taxation rates above 35 per cent, some of them with rates considerably higher. The authors note that different dimensions of social justice are linked. So weak educational opportunities translate into weaker opportunities on the labour market and – as a consequence – into weaker opportunities to achieve higher incomes.

Social Investment

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

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

Taxation to GDP ratio (%) (2014)	Social Investment Approach
Above EU-28 average (%)	
Denmark, 50.8	
France, 47.9	
Belgium 47.9	
Finland, 44	
Austria, 43.8	
Sweden, 43.8	
Italy 43.7	
Below the EU-28 average but at or above 35% threshold (%)	
Germany, 39.5	
Luxembourg, 39.4	
Greece 39	
Hungary, 38.4	
The Netherlands, 38	
Slovenia, 37	
Portugal, 36.9	
Croatia, 36.7	
Malta 35	
Below 35% threshold (%)	
Spain, 34.4	
United Kingdom, 34.4	
Cyprus, 34.2	
Czech Republic, 34.1	
Poland, 33	
Estonia, 32.5	
Slovakia, 31.2	
Ireland, 30.5	
Latvia, 29.3	
Lithuania, 28	
Bulgaria, 27.8	
Romania 27.7	

	Well established Social Investment Approach
	Partial development of Social Investment approach; but still to develop a predominantly Social Investment Approach
	Social Investment Approach has not yet made inroads

Source: Taxation: Eurostat 2015 Online database: I gov_10a_taxag. Approach to Social investment: Bouget et al 2015.

All of the countries that are in Group 1 for social investment (identified by the European Social Policy Network as having a well-established approach to many social policies, Bouget *et al* 2015), have tax takes that are above the 35 per cent line, and 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 countries that are in Group 3 in relation to social investment (that is, the social investment approach has not made significant inroads into the overall policy agenda), it appears that seven out of ten of them have taxation rates that are below the 35 per cent line (many of them considerably so).

All but one of these countries (Italy) have taxation levels that are below the EU average. Thus Italy represents an exception, having a taxation rate above the EU-28 average and still appearing in the worst grouping in terms of the development of a social investment approach.

5.3 Taxation - Conclusion

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

There is considerable variation between member states in the EU in respect of total taxes as a proportion of GDP. The highest ratios tend to be found in the 'old' 15 members of the EU. At the top end, 7 countries have total taxation ratios greater than the EU average of 40 per cent. They include Denmark, France and Belgium (in 2014). The countries with the lowest ratios are Romania, Bulgaria, Lithuania, Latvia and Ireland.

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

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

In general, countries in the south and periphery 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 – with a taxation ratio just below the 35 per cent of GDP line in 2014– Czech Republic is notable for its performance in relation to prevention of poverty or social exclusion.

6.

ALTERNATIVES: SOME ISSUES FOR DISCUSSION

6.1 Introduction

Wellbeing is a fundamental objective of EU policies: Article 3 of the *Treaty on the Functioning of the European Union* states that the Union's aim is to promote 'the well-being of its peoples'. The European Commission has noted how the best performing Member States in economic terms have developed more ambitious and efficient social policies, not just as a result of economic development, but as a central part of their growth model (European Commission 2016b). Good social protection systems are vital not only to social wellbeing but also to economic development. The European Commission acknowledges that countries providing high quality jobs and effective social protection as well as investment in human capital have proved more resilient in the economic crisis (European Commission 2015a).

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

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

As we outlined in the introduction to this report, for *Social Justice Ireland,* every person has seven core rights that need to be part of the vision for the future: right to sufficient income to live with dignity, to meaningful work, to appropriate accommodation; to relevant education, to essential healthcare, to real participation and the right to cultural respect. In this report, we have looked at how these rights are currently being realised or otherwise in the areas of income, work, education and healthcare. In this Section, we wish to discuss some current debates and to point to some potential policy alternatives in the areas of

income, work and service-provision. Our intention is not to prescribe any particular approaches, but rather to outline some pointers toward strategies that are currently being employed or are currently the subject of increasing debate and consideration.

6.2 Right to Sufficient Income

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

Minimum Wage and Living Wage

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

Twenty-two out of 28 EU countries apply a generally binding statutory minimum wage (Eurofound 2016a). In the majority of EU Member States where there is no statutory minimum wage, the minimum wage level is de facto set in (sectoral) collective agreements. Thus countries tend to have different mechanisms for setting the minimum levels and their impact can differ considerably. Bulgaria and Romania have the lowest minimum wage in the EU, while Luxembourg has the highest (Eurofound 2016a). However, the IMF points to research showing that non-compliance is 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.

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. Over 2,800 organisations have committed to pay a living wage and have been accredited by the U.K. Living Wage Foundation. They include FTSE 100 companies such as Barclays, HSBC, Pearson and Legal and General, as well as county and city councils, local authorities, charities, universities and diverse private sector companies of different sizes and scales. While small businesses are usually perceived as having fewer resources available and thus to be less able to afford to pay higher wages, research from the U.K suggests that private sector SMEs constitute over half of all accredited Living Wage employers (Werner and Lim 2016). SMEs that have adopted a living wage perceive benefits related to employee motivation and productivity, staff retention, employee relations and ability to attract high quality staff as well as benefits for business reputations (Werner and Lim 2016). It is interesting to note that the SMEs concerned were operating in so-called low-waged sectors such as hospitality, retail, social care and manufacturing in England, Wales and Scotland.

Minimum Income Schemes

Adequate and effective social protection systems are the bedrock of a truly Social Europe, within which minimum income schemes are a safety net of last resort to ensure that no one falls below an adequate minimum income (Frazer and Marlier 2016). Minimum income schemes are protection schemes of last resort aimed at ensuring a minimum standard of living for people of working age and their families when they have no other means of support. They vary in coverage, comprehensiveness (that is, their availability generally to low-income people) and effectiveness. As we discussed in last year's report in this series, the lack of adequate minimum income schemes in several countries has been highlighted since the crisis in Europe. A recent review of minimum income schemes across Europe found that they play a vital role in alleviating the worst impacts of poverty and social exclusion. However, in many countries

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

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

The issue of a minimum income scheme across Europe is now receiving attention at European level. The consultation draft of the European Pillar of Social Rights refers to the integration of social benefits and services and suggests that: 'Adequate minimum income benefits shall be ensured for those who lack sufficient resources for a decent standard of living' (European Commission 2016b, Annex I: 15).

However, as mentioned in the introduction to this report, we do not yet know what form the Pillar of Social Rights will ultimately take or how effective it will be. A Communication from the European Commission on the issue of strengthening the social dimension of the EMU raised the issue of a stabilization scheme to absorb shocks - an insurance system to pool the risks of economic shocks across member states (2013d).

The opinion of the EU Network of Independent Experts on Social Inclusion is that a Framework Directive is one of the best options for a legislative initiative on minimum income (Frazer and Marlier 2016). The European Parliament has called on the European Commission to launch a consultation on the possibility of a legislative initiative. However, there are also debates about whether the European Commission has the capacity to introduce a Framework Directive to achieve this (Frazer and Marlier 2016). A report for the Jacques Delors Institute argued that "a European common framework to improve on minimum income protection would give substance to the discourse on the 'Triple 'A' Social Rating[14]' (Rinaldi 2016:73/74).

Basic Income Schemes

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

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;

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

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

If social policy and economic policy are no longer conceived of separately, then basic income is increasingly viewed, according to the Basic Income Earth Network, as the only feasible way of reconciling two of their central objectives: poverty relief and full employment. Every person receives a weekly tax-free payment from the Exchequer while all other personal income is taxed. The basic income would replace income from social welfare for a person who is unemployed and replace tax credits for a person who is employed (Healy *et al*, 2012).

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

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

Opponents of basic income focus on perceived restrictions of freedom or on a perceived high tax rate to finance it and one of the features of the international debate revolves around the role of society as against the role of markets (Government of Ireland, 2002).

A range of countries have introduced basic income schemes (or partial schemes) or are considering doing so. In Switzerland, a national referendum on the implementation of a scheme was rejected in 2016, something associated with fears that it had not been comprehensively costed (Editorial, the Guardian, 6.6.2016). A partial basic income system has existed for decades in the US state of Alaska financed by taxes paid on oil produced in the State. In 2012 The World Bank published a detailed study which identified 123 Basic Income systems in various parts of Sub-Saharan Africa (Garcia and Moore, 2012). In Finland,

a basic income pilot project was authorised by parliament in December 2016[15]. The pilot was designed to assess whether basic income can be used to reform social security, specifically to reduce incentive traps relating to working (Ministry for Social Affairs and Health 2016). In the Netherlands city of Utrecht and other municipalities, a pilot project called “Weten Wat Werkt,” or “Know What Works” is due to roll-out in 2017.

A recent U.K report 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 huge 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). During 2016 Britain’s Labour Party committed to exploring the issue further and the idea is already backed by the Green Party and the SNP and the pro-market think-tank, the Adam Smith Institute (Lansley and Reed 2016).

The experience in Ontario in Canada illustrates that support for a universal basic income can come from both right and left-wing perspectives. There a pilot is about to be rolled out championed by amongst others Hugh Segal, a Conservative political strategist (The Guardian 2016). One of the things that is persuasive of this idea in Ontario is how in the 1970s a universal pension scheme for older people reduced poverty and led to a series of other positive effects such as increased longevity and independence of the health system, something achieved without adding more bureaucracy.

6.3 Right to Meaningful Work

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

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

Thus basic questions are now being asked about whether the market economy is capable of delivering what is now 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 published in 2013, estimating 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.

[15] http://www.kela.fi/web/en/basic-income-objectives-and-implementation

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

Valuing All Work

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

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

Jobs Guarantee Schemes

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

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

Amongst those championing the idea is the Centre of Full Employment and Equity, University of Newcastle, Australia. Based on an analysis across countries, they argue that

the private sector has always only been able to employ around 77 per cent of the labour force; unless the public sector provides jobs for the remaining workers seeking employment, unemployment will remain high[16] (Centre of Full Employment and Equity, undated). Costs of Jobs Guarantee Schemes have been calculated for a number of countries and it is considered relatively cheap, in comparison with the costs associated with unemployment[17]. It also results in a multiplier effect from the contributions to the economy of the workers concerned (Centre of Full Employment and Equity, undated). Furthermore, such schemes are considered to promote economic and price stability, acting as an automatic stabilizer as employment (within the scheme) grows in recession and shrinks in economic expansion, to counteract private sector employment fluctuations (Wray 2009).

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

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

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

[16] 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.

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

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

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

Mexican telecoms billionaire Carlos Slim (often identified as one of the richest people in the world) is amongst those who have expressed support for this, suggesting that a new three-day working week could and should become the norm as a way to improve people's quality of life and create a more productive labour force. A UK doctor, John Aston, President of the UK Faculty of Public Health (a body that represents over 3,000 public health experts in the UK), also called for a four day week to deal with the problem of some people working too little others too much and to improve the health of the public (Guardian, 2014).

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

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

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

It should be possible for the European fiscal governance rules to accommodate and indeed to encourage, when appropriate, investment of this nature as a basic tool of economic policy within the capacity of governments. In this context it is of interest that the OECD has recently 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 (2016c).

6.4 Right to Access to Quality Services

Access to high-quality 'services of general interest' is an important aspect of social protection, contributing to 'inclusive growth', a main objective of the Europe 2020 strategy. At least five types of welfare system are recognised as operating in Europe[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 further debate about a genuine 'social' dimension to the EMU. We have discussed the Social Investment Package 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, 2013e).

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

Securing Adequate Investment? Support for social investment in recent decades is based on the aspiration of men and women of all socio-economic backgrounds to be employed and to raise children. Consequently, they have been willing to provide the investment required to provide services capable of making that possible. In difficult economic times, however, there is more and more scrutiny of social spending. In the years ahead there is a

[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).

real danger that in hard-hit countries there will be a growing marginalization of social spending. This danger is exacerbated in the Eurozone because national and EU monetary authorities have very little room for manoeuvre. The emphasis is on deficit reduction, which will continue to starve social provision of the financing required for ongoing development. There is a strong risk that support for social investment will decline. This situation is worsened as electorates seem to forget that the crisis of recent years originated in the excesses in deregulated financial markets, not in excess welfare spending. This leads to a rejection of welfare spending because they misunderstand it as being the cause of the crisis which it wasn't.

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 (2013e).

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

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

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

Social wage: Public services such as healthcare and schooling, childcare and adult social care, can be said to comprise a 'social wage' that helps to determine how much earned income people consider 'enough' (Coote *et al* 2010). The extent to which these services relieve pressures on household income depends on their accessibility, reliability, quality, and overall affordability. In recent times in many countries, public services have been curtailed/targeted and in some countries stripped to essentials by outsourcing and competitive tendering, or have had some costs transferred to the user – as is the case in relation to healthcare costs in some European countries (European Observatory on Health

Systems and Policies, 2012). While there are different definitions, discussions of the 'social wage' generally define it **as** disposable income plus public provision of goods and services (such as health care and education). It is sometimes used in discussions of government spending and it can be a way of characterising the contribution that public services make to individuals and households. For example, the South African National Development plan (to 2030) references the social wage and characterises is as complementing employment earnings and contributing to more equitable and inclusive economic growth (South African National Planning Commission, 2012).

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

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

6.5 Other Key Issues

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

Representation

Any new policy directions are affected by the fact that Europeans are experiencing a sense of frustration with consequent risks of alienation and social disruption. There is evidence of declining trust in public institutions and increases in social tensions and increases in euro-scepticism. Many voters felt that the EU's dominance of national economic policy in the crisis meant they could change government but not policy (Leonard & Torreblanca, 2013) and, as discussed in the introduction to this report, this lesson has been underlined by the rise of Euroscepticism across Europe.

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

Potentially very valuable is the *Charter on Shared Social Responsibilities* which argues that having a well-defined deliberative process can ensure, among other things, that individual

preferences are reconciled with widespread priorities in the field of social, environmental and intergenerational justice. It can also reduce the imbalances of power between stakeholders (Council of Europe, 2014).

Sustainability

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

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

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

7. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

7.1 Summary of Findings

This report has examined social developments in Europe under a range of indicators of poverty and income, employment and unemployment, and has also looked at how European countries perform on certain indicators in respect of education and health. We also examined levels of total taxation as a proportion of GDP amongst European countries in light of these indicators and also in light of their respective approaches to social investment. Finally, we set out some alternative policy approaches in the previous section of this report.

In this final Section, we summarise our findings, draw some conclusions and finish with some recommendations for European and national leaders.

Poverty and Income

In relation to poverty or social exclusion we find that Europe moved further away from the targets set in the Europe 2020 Strategy in the years following its adoption. The picture that emerges in the 2013-2014 period (the latest for which Eurostat has published rates) suggests that, following years of dis-improvement, there is now stagnation in many of the indicators used to measure progress under the strategy while some continue to worsen. See **Table 7.**

Levels of **poverty or social exclusion** are still higher than prior to 2008, while showing a very slight improvement between 2013 and 2014 (the greatest improvements occurring in the newer accession states of Bulgaria, Lithuania, Hungary and Latvia). In 2014 the numbers affected still amounted to over 122 million people (EU-28) or 24.2 per cent of the population of the EU (that is, almost 1 in 4 people). There are very great divergences between the countries: differences of the order of 25 percentage points exist between the countries with the highest rates (Bulgaria and Romania) and those with the lowest rates (Czech Republic and the Netherlands).

Amongst the groups most affected are the unemployed, while amongst household types, single parents have significantly higher rates.

It is notable that those countries identified by the European Social Policy Network as having a well-established approach to social investment tend to do well at protecting their

populations from poverty or social exclusion relative to other countries with a less well developed social investment approach.

In 2014, over 86 million people in Europe were experiencing **income poverty** (measured by the at risk of poverty indicator – 60 per cent threshold), a slight increase on the 2013 rate. In six member states one fifth or more of the population was at risk of poverty. There is an indication that the depth of poverty worsened between 2013 and 2014 with an increase in the rate of risk of poverty at the 40 per cent threshold (that is, those with an income at or below 40 per cent of the national median equivalised income). Those living at this low level amounted to more than 31 million people in 2014.

When we look at the **severe material deprivation** indicator, there is great divergence across countries, with particularly high rates amongst the newer accession countries. However, between 2013 and 2014 the rates rose (albeit very slightly in some cases) in countries within EU-15 – that is, 'old' members of the union. The greatest deterioration between 2013 and 2014 in this rate occurred in Greece.

Children (that is, under 18s) were strongly affected by the economic crisis and their position is highlighted by the Social Protection Committee as one of the areas where there has been greatest deterioration since 2008 – something that has long-term consequences for the people and families concerned as well as for the EU as a whole. Children in poverty or social exclusion amounted over 26 million in 2014 (which is over a quarter of all children). There is great divergence in the rates across the EU and the lowest rates are in the Nordic countries of Denmark, Finland and Sweden. Between 2013 and 2014, the greatest increase occurred in Spain. However, Czech Republic and Finland, countries with relatively low overall rates, also had increases of a similar magnitude.

When we look at income poverty, the at risk of poverty rate in children rose between 2013 and 2014, and approximately one fifth of Europe's children were affected in 2014 (that is, living below the 60 per cent threshold of median income in their countries). When we look at severe material deprivation (that is, lacking certain key resources) approximately 10 per cent of children were affected in 2014.

Where **older people** are concerned (those over 65), about one in 6 were affected by poverty or social exclusion in 2014, representing nearly 16.3 million people (EU-28). Between different countries, there is great variation in the rates, and this is also true in respect of severe material deprivation amongst this group. When we look at income poverty in 2014 (or the at risk of poverty rate, 60 per cent threshold), the highest rates occurred in some of the newer accession countries. Where severe material deprivation is concerned, there is an approximately 40 percentage points difference between the country with the highest rate, Bulgaria (notwithstanding a recent, significant decrease in the rate), and those with the lowest rates, Luxembourg and Sweden.

Rates of both income poverty and severe material deprivation are considerably higher for older women than older men and, because women tend to live longer than men, this means that very much larger numbers of women are affected.

The rate for **working poor** – those who have a job but still live in poverty - increased between 2013 and 2014 and the Social Protection Committee has identified this as a negative trend to watch (2016).

Table 7 EU-28 Key Poverty Indicators 2014

	People at risk of poverty or social exclusion		People at risk of poverty (60%		People experiencing Severe Material Deprivation		People in households with very low work intensity	
EU-28	Number	%	Number	%	Number	%	Number	%
Total population								
	122.17m	24.2	86.2m	17.2	44.5	8.9	41.8m	11.2
Children (under 18)								
	26.2m	27.8	19.9m	21.1	9.8m	10.4	9.1m	9.7
Older people (over 65s)								
	16.3m	17.8	12.6m	13.8	5.7m	6.2	n/a	n/a

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

When **income inequality** is examined, there is concern about the wide dispersion and growing divergence in inequality between member states (European Commission 2013). The income inequality rate (S80/20 indicator) increased in 16 member states and decreased in 5 (staying static in the remaining 7 countries) between 2013 and 2014.

Financial distress of households (defined as the need to draw on savings or to run into debt to cover current expenditures) is still running at high levels despite some easing of the situation in recent times. Comparing the situation in 2016 to 2007, financial distress for the poorest households is higher in around half of member states. Around 25 per cent of adults in low-income households are in financial distress (European Commission 2016). There is a big range amongst countries: financial distress is much lower for lower-income households in some countries (such as the central European countries of Germany, Luxembourg and Austria) than others (such as Spain France, Italy, Slovakia and Croatia).

Employment and Unemployment

Employment has continued to increase in the EU and in the Euro Area since 2014. However, there is great variation between member states in relation to employment levels with a 25 percentage point difference in 2015 between the country with the highest level (Sweden) and that with the lowest (Greece). Furthermore, there is still a gap between EU average rate and the 75 per cent target set in the Europe 2020 Strategy. There are also a number of issues in relation to how the employment situation has evolved, concerning increased rates of temporary employment, increased part-time employment (much of it involuntary) especially in some member states, and pay levels decreasing or stagnating in many countries especially for disadvantaged groups. Without decent jobs, some workers continue to experience poverty.

When we look at unemployment, it appears that some 21 million people in the EU28, of whom 16.3 million were in the Euro Area, were unemployed in June 2016 (Eurostat 2016b). There has been a gradual reduction in unemployment since 2013, but it still affects some 6.1 million people more than in 2008 (Eurostat code une_rt_a). Rates diverge greatly between countries. Greece and Spain had the highest rates in 2015 while the lowest rate was in Germany.

The long-term unemployment picture continues to be worrying – around 11 million people or almost half of unemployed people in EU-28 are long-term unemployed. While unemployment has been declining since 2013, long-term unemployment has only recently stopped rising (European Commission 2016a). Long-term unemployment has not affected all groups equally and the low-skilled, the young and young adults as well as workers born in a third country are particularly affected. In terms of age groups, the youngest and oldest workers have been hardest hit by long-term unemployment.

Very steep increases in youth unemployment occurred in many countries following 2008. Improvements have occurred in the position in most EU countries between 2014 and 2015. Nonetheless, at the end of 2015 some 4.6 million young people (under 25) were unemployed in the EU-28 (Eurostat une_rt_a). Rates in countries such as Greece and Spain have improved since their extremely high rates in 2013, but, unfortunately, they are still relatively very high. Eurostat figures suggest that in 2015 there were still more that 400,000 young people unemployed in EU-28 than in 2008 (Eurostat une_rt_a).

The long-term unemployment rate for young people has improved but is also still higher than in 2008. Twelve per cent of the age group 15-24 (approx. 6.6 million people) was neither in employment nor in education or training in 2015 and this rate is still higher than it was in 2008. Over 14 per cent or some 14 million young people aged 15-29 were in this category. This (known as the NEET rate) is one of the most concerning indicators relative to young people with its indication of detachment and discouragement in relation to both work and education.

One of the most serious divergences between European countries that the crisis and the years following it have highlighted is that there are serious gaps in the social welfare systems of many European countries, which often leave people who are unemployed or long-term unemployed with little or no safety net and cause great hardship in some countries, typically in the south.
The European Commission has noted that some of the Member States that have been most resilient during the crisis have high levels of employment protection legislation, particularly Germany, Sweden, the Netherlands and the Czech Republic (2015a).

Education
This review suggests that where early school leaving and third level educational attainment is concerned, progress is being made in reaching targets set in the European 2020 Strategy. However, there continues to be a great deal of divergence in these indicators between different countries. While some countries with high underlying levels of early school leaving (such as Spain and Portugal) have seen significant reductions in there rates in recent years, there is still a very great gap (of approximately 16-17 percentage points) between the countries with the highest rates and those with the lowest.

One of the problems that Europe now faces is that progress not only needs to continue to be made to address the Europe 2020 strategy targets in education, but also to manage problems that have emerged/worsened since 2008 such as the cohort of young people neither in education nor employment (or NEETs). Young people with lower educational levels are more likely to enter the NEET category than those with higher levels.

Overall, many countries still have relatively very low rates of participation in lifelong learning, particularly for low-skilled groups. Several of the countries with the highest rates

of participation in lifelong learning are also the world's most competitive (Sweden, Denmark and the Netherlands). There is also much to be done to improve adult literacy in many countries. Taking in additional indicators of lifelong learning and one measure of adult literacy suggests that policies pursued by some countries, seem to impact a range of different groups positively, most notably Finland, the Netherlands and Sweden, and also Estonia and Belgium.

Health

In the years following the economic crisis, many people in EU member states experienced an erosion of health coverage and those who are poorer have experienced more unmet need than others. The fact that so many countries failed to prevent erosion of health coverage for the most vulnerable people (as seen in rising unmet need, especially amongst poorer households) should be a matter of concern to national and international policy makers in the EU.

Two indicators that we have reviewed suggest that:

- Perception of unmet need for health care is greater amongst poorer people in Europe than richer; it has risen most in recent years amongst the lowest income groups; Over 3 million more people reported unmet need for health care in 2014 than in 2009.
- One assessment of the performance of health systems under a range of indicators (from Berteslmann Stiftung) suggests that while the quality of health care is high in most EU countries, there are significant variations between countries with regard both to quality and inclusivity (that is equality of access). Those systems that performed best in 2015 were Luxembourg, the Netherlands, Belgium and Denmark, Czech Republic, Austria and Sweden. Those performing worst were Romania, Latvia, Poland, Bulgaria and Greece.

Taxation

Without raising resources, countries cannot invest in infrastructure and services required to promote inclusion and to sustain development. In this report we examined total taxes as a proportion of GDP (encompassing all direct and indirect taxes received including social security contributions) and noted the considerable variation that exists between member states. The highest ratios tend to be found in the 'old' 15 members of the EU. At the top end, 7 countries have total taxation ratios greater than the EU average of 40 per cent. They include Denmark, France and Belgium (in 2014). The countries with the lowest ratios were Romania, Bulgaria, Lithuania, Latvia and Ireland.

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

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

In general, countries in the south and periphery 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 Czech Republic is notable for its performance in relation to prevention of poverty or social exclusion and it had a taxation ratio just below the 35 per cent of GDP line in 2014.

7.2 Conclusions and Recommendations

In the introduction to this report we outlined how the global economy has entered a period of stagnation, and how, according to the OECD, with few exceptions, economies are not recovering but facing another year of stagnation (OECD 2016c; European Parliament 2016a). This forms the backdrop against which this review evidences very great differences in the social situation across European countries and between different groups. Some countries have been more affected by the economic crisis than others, and some countries have been able to benefit more from recent economic improvements than others.

The poverty indicators examined in this report suggest no improvement in the positon for very many people living in Europe, with dis-improvement observed in the case of some groups. Nearly one quarter of the population was experiencing poverty or social exclusion (over 122 million people) (EU-28). Over a quarter of all children experienced poverty or social exclusion. Any recovery has yet to be felt more generally across social groups. The picture that emerges in the 2014 is one where levels of poverty or social exclusion are still much higher than prior to 2008 while showing a very slight improvement between 2013 and 2014.

Despite recent, welcome improvements, Europe still faces some very significant employment challenges including the fact that there continue to be divergent experiences across countries. Exclusion from the labour market substantially limits individual opportunities for self-realization, contributes to an increased risk of poverty, and can lead to serious health stresses (Schraad-Tischler 2015). As the European Commission comments (2016), the employment recovery is far from robust in some countries.

Where education is concerned, progress has been made in recent years in respect of the Europe 2020 strategy indicators for early school leaving and third level educational attainment. However, there is great divergence between countries. Now progress not only needs to continue to be made in these areas, but also to manage problems that have emerged/worsened since 2008 such as the cohort of young people neither in education nor employment (or NEETs). Additionally very low rates of participation in lifelong learning and adult literacy, particularly for low-skilled groups, must now be addressed in many countries.

Erosion of universal access to healthcare in many countries since 2008 represents a problem whose effects may manifest most significantly in the longer term. Perception of unmet need for health care is greater amongst poorer people in Europe.

Countries must raise resources to invest in infrastructure and services in order to promote inclusion and to sustain development. Reviewing the total taxation to GDP ratios of EU countries suggests that countries in Scandinavia and Central Europe tend to demonstrate higher levels of taxation and better protection of their populations from poverty and social exclusion than others.

Divergences in Europe's social situation bring risks of a breakdown in social cohesion both within and between countries. Great disparities in wealth and power divide society into rich and poor, powerful and powerless, and this weakens the bond between people and divides society between the lucky and the left out. As one review of developments in social justice in the EU[19] has argued, the gap between opportunities to participate in society in still-wealthy countries of northern Europe and in other parts of the union, notably the crisis-struck southern nations, has widened creating a 'highly explosive situation with regard to social cohesion and social stability within the European Union,' one which if it continues threatens the viability of the entire European integration project (Schraad-Tischler Kroll, 2014).

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 priorities still dominate social priorities. There is a perception the European technocrats are insulated from the experience of the poorer people of Europe – something that is corrosive of trust in the whole European project. Leadership at EU level in relation to vulnerable groups will prove critical not just to the future economic and social outlook but also to the democratic future of Europe.

7.2.1 Recommendations

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

1. **Ensure Coherence of European Policy and the European Semester** by integrating the social objectives of the Europe 2020 strategy in the economic processes of the European Semester. The priorities of Annual Growth Surveys should focus on long-term social objectives of the Europe 2020 Strategy, and on building adequate, effective social systems that include both investment and protection dimensions and are better aligned to the EU Social Investment Package. This could be facilitated by
   - Supporting efforts to promote growth and jobs while meeting deficit reduction targets in the medium rather than the short term.
   - Taking account of the social impact when making Country Specific Recommendations, especially those requiring fiscal consolidation measures.
   - Making country-specific recommendations that seek to achieve reductions in poverty and unemployment where rates are high or rising.

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

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

- **Ex-ante appraisals:** Fiscal consolidation and structural measures must be designed with ex-ante knowledge of their longer term and cumulative impact on vulnerable groups.
- **Improved Targeting:** Incorporate further sub-targets into the Europe 2020 Strategy process. Sub-targets for poverty reduction should be added relative to groups most at high risk of poverty or social exclusion (such as children). Work with member states to ensure that their targets are adequate and to establish national sub-targets for poverty reduction amongst groups most at risk (based on the identification of the most appropriate groups in each country).
- **Further Targets:** Consideration should also be given to incorporating further targets relative to unemployment, especially long-term unemployment and youth unemployment, and to address serious problems in some countries in respect of young people neither in employment nor education
- **Ensuring Meaningful Input by Civil Society and Potentially Marginalised** people into the framing of National Reform programmes and Social Reports, including for countries in receipt of programmes of financial assistance.

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

4. **Advance proposals for a guarantee of an adequate minimum income or social floor in the** EU under a framework directive, and for minimum standards on other social protection measures (access to child care, access to basic health) across member states.

5. **Monitor and Address Child Poverty:** Child poverty is such a serious issue that it requires further action. Monitor implementation of the Commission's Recommendation on Investing in Children through a strengthened process established under the Europe 2020 strategy and work with member states with high levels of child poverty to help them access and deploy structural funds to address the issue.

6. **Focus on Youth Unemployment:** Youth unemployment continues to be a serious problem despite the Youth Guarantee initiative, which requires more resources to make a significant impact[20].

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

8. **Improve Representation:** EU policy-making must engage meaningfully with stakeholders representing poorer people and those most affected by the financial crisis and austerity measures since 2008.

9. **Structural Funds:** Structural funds must be of a sufficient scale to make an impact and should be given greater priority so as to ensure significant progress is made in bridging

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

the gap between the economic and social dimensions of policy and in promoting a social investment approach to public policies where this is absent or insufficient.

10. **Develop a Strong European Pillar of Social Rights:** The Pillar needs to confer social rights and include clear-cut indicators to measure and compare the social performance of member states.

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

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

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

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

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

4. **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.

5. **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.

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

7. **Consider how Government could become an employer of last resort**: Given the huge fall in employment and its ongoing impact on unemployed people of every age, 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.

8. **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.

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

10. **Avail of the social investment aspects of the programming of EU funds,** 2014-2020 to fund measures that address the social situation, including support for initiatives set out in the EU's Social Investment Package such as supporting social enterprises or facilitating the implementation of the Recommendation on Investing in Children.

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GLOSSARY

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

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

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

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

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

Eurostat – the statistical office of the European Union

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

Household disposable income is established by Eurostat by summing up all monetary incomes received from any source by each member of the household (including income from work, investment and social benefits) — plus income received at the household level — and deducting taxes and social contributions paid. In order to reflect differences in household size and composition, this total is divided by the number of 'equivalent adults'

using a standard (equivalence) scale, which attributes a weight of 1.0 to the first adult in the household, a weight of 0.5 to each subsequent member of the household aged 14 and over, and a weight of 0.3 to household members aged less than 14. The resulting figure is called equivalised disposable income and is attributed to each member of the household. For a lone-person household it is equal to household income. For a household comprising more than one person, it is an indicator of the household income that would be needed by a lone person household to enjoy the same level of economic wellbeing. Source: Eurostat Statistics Explained: Living Standards Statistics: http://ec.europa.eu/eurostat/statistics-explained/index.php/Living_standard_statistics

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

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

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

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

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

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

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

STATISTICAL ISSUES

A number of issues are to be noted:

Time lag: The main source of comparable data on poverty and social exclusion, the EU Survey on Income and Living Conditions (EU-SILC), has a significant time-lag. Most of the data available as this report is prepared relate to 2014, 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)[21].

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

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

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

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

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

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