



Council of the
European Union

Brussels, 25 February 2015
(OR. en)

6194/15
ADD 1

SOC 78

COVER NOTE

From:	The Social Protection Committee
To:	Permanent Representatives Committee (Part I) / Council (EPSCO)
Subject:	Social Europe: aiming for inclusive growth 2014 Annual report of the SPC on the Social situation in the EU - Full report

Delegations will find attached the report on the above subject submitted by the Social Protection Committee, with a view to the Council meeting (EPSCO) on 9 March 2015.

The key messages which are drawn from this report are contained in doc. 6194/15.



Social Europe: Aiming for inclusive growth

2014 Annual report of the Social Protection Committee on the social situation in the European Union

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Abbreviation	Full name
EU28	European Union (28 countries)
EU27	European Union (27 countries)
EA18	Euro area (18 countries)
BE	Belgium
BG	Bulgaria
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
EL	Greece
ES	Spain
FR	France
HR	Croatia
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom

Acknowledgments

The present report has been prepared as part of the mandate given to the Social Protection Committee (SPC) by the Treaty on the Functioning of the European Union (TFEU) to monitor the social situation in the European Union and the development of social protection policies (art. 160 of TFEU).

The report is prepared by the Secretariat of the Committee and its Indicators' Sub-group. The Directorate-General for Employment, Social Affairs and Inclusion provided the necessary analysis and calculations used in the report with the extensive assistance and data provision of Eurostat. The principal authors are Paul Minty and Kornelia Kozovska, with specific contributions from Susanne Conze, Istvan Vanyolos, Maria Ilies, Andrea Meszaros and Regina Sauto. Eurofound (European Foundation for the Improvement of Living and Working Conditions) has contributed extensively to the section on youth exclusion and social protection. The members of the SPC and its Indicators Subgroup contributed extensively to the drafting of the report and its key messages. The views of the European social partners are annexed to the report. The report was approved by the Social Protection Committee on 23 February 2015.

The list of SPC Members appears on the following link:

<http://ec.europa.eu/social/main.jsp?catId=758&langId=en>

The list of members of the SPC Indicators' Subgroup appears on the following link:

<http://ec.europa.eu/social/main.jsp?catId=830&langId=en>

Introduction

This edition of the annual review of the social situation in the European Union (EU) delivers on the core Treaty task of the **Social Protection Committee** (SPC) to monitor the social situation in the Member States and the European Union (art. 160 of the Treaty on the Functioning of the European Union). The SPC is an advisory policy Committee which provides a representative forum for multilateral social policy coordination, dialogue and cooperation at EU level. It brings together policy makers from all EU Member States and the Commission in an effort to identify, discuss and implement the policy mix that is most fitted to respond to the various challenges faced by social policies. It uses the social open method of coordination as the main policy framework combining all major social policy strands: social inclusion, pensions, health and long-term care.

This year's report on the social situation shows little improvement in the overall situation in the EU, with continued disparities across Member States and a worsening situation in several. Even though trends are more mixed than in previous years, with 11 Member States registering statistically significant falls in poverty and social exclusion in 2013, around a 1/3 still saw significant rises, and the most recent figures for the EU at-risk-of poverty or social exclusion rate point to stagnation at a high level. These latest figures on living and income conditions in the EU show that the EU is not making any progress towards achieving its Europe 2020 poverty and social exclusion target of lifting at least 20 million people from poverty and social exclusion by 2020. In 2013 there were 4.8 million more people living in poverty or social exclusion in the EU28 compared to 2008, and a total of 122.6 million or close to 1 in 4 Europeans.

The current economic situation poses a major challenge to policy makers trying to fight poverty and social exclusion. The emphasis needs to shift from short-term measures to structural reforms in order to spur economic growth, raise employment and tackle in-work poverty, and guarantee adequate levels of social protection and access to quality services. Social policies alone cannot deliver on the Europe 2020 poverty and social exclusion target. Reaching this objective must be supported by other public policies in the economic, employment, tax and education fields.

This edition of the annual review of the social situation in the EU focuses on the results from the latest edition of the Social Protection Performance Monitor (SPPM), which is based on a set of key indicators for monitoring developments in the social situation, and has three main objectives: i) analysing the most recent trends in the social situation in Europe, ii) providing an in-depth review of the key challenges for the EU identified by the 2013 social trends to watch as endorsed by the SPC, and iii) identifying what are the 2014 social trends to watch. It should be borne in mind that analysis mainly focuses on the indicators included in the SPPM and that data used in the report can refer to different years for different types of information (e.g. income versus labour market developments), due to the different sources and reference periods of the data collected.

To start, chapter 1 provides a summary of the recent developments in the overarching policy setting at EU level, with a focus on the adoption of the scoreboard of key employment and social indicators to strengthen the social dimension of the EMU and the discussions in the context of the mid-term review of the Europe 2020 strategy.

Chapter 2 then analyses the latest available figures for the set of social indicators included in the Social Protection Performance Monitor, which present a summary picture of the social situation in the EU. It draws upon some additional context information, including the broad macro-economic and labour market situation in the EU and specific administrative data on benefit recipients, collected through SPC delegates, in order to provide a comprehensive view on the main developments in social policy outcomes across Member States. The chapter also includes special focuses on developments in access to housing and summaries of information provided via the SPC on how Member States have developed complementary approaches for monitoring social developments during the recent period of crisis.

Chapter 3 focuses on the key quantitative information underlying some of the social trends to watch identified in the previous SPC report (Social Protection Committee (2013)), namely worsening depth of poverty, long-term labour market exclusion and youth exclusion, their social and economic impact and most importantly the policy measures with proven effect against these trends. It is the product of a series of in-depth thematic reviews on these policy challenges held in 2014/15 which saw Member States engage in analysing their positive and negative performance and the potential for transferability of policy measures across different Member States and institutional contexts. A first group of countries presented the policy framework in place enabling them to register positive developments in the given areas. The countries concerned by clearly negative social trends formed the second group of countries, and reviewed key elements of the successful policy approaches of the first group and the scope for transferring these to their own social protection systems.

Chapter 4 presents the 2014 results of the Social Protection Performance Monitor and the social trends to watch based on the latest available data, as well as the resulting topics for thematic in-depth reviews in 2014 based on these trends.

The report ends with country profiles for all Member States which provide a detailed snapshot of the main social indicators for each country, the progress towards the national 2020 poverty and social exclusion target, and the evolution in benefit recipients for a selected number of benefit schemes.¹

¹ The report is to be read in conjunction with the SPC report on "Social policy reforms for growth and cohesion: Review of recent structural reforms 2014", adopted in October 2014, which outlines the most important policy measures taken in 2014 in the fields of social protection and social inclusion.

I. Recent developments in the overarching social policy setting at EU level

2014 has seen reinforcement of the monitoring of social developments in the context of a strengthened social dimension of the EU and EMU as called for by the June and October 2013 European Council Conclusions. In 2013 the Council, upon a proposal from the Commission, approved a scoreboard on employment and social indicators to be used in the context of the European semester for policy coordination. The scoreboard is aimed at strengthening the social dimension of the Economic and Monetary Union and consists of 6 indicators presented in a single table allowing for monitoring the employment and social developments in the EU, and taking account of the social and labour market situation within the EMU and EU in political discussions and policy steer coming from the Council. The scoreboard is part of the annual 'Joint Employment Report' prepared by the Commission and adopted by the Council of the European Union.

Upon the invitation of the Greek Presidency, the Social Protection Committee, together with the Employment Committee, prepared for EPSCO a joint opinion on the scoreboard², recognizing it as an important step forward in terms of granting political visibility for employment and social challenges in relevant Member States and aiming to identify the most serious problems and developments at an early stage. Both Committees retained that the scoreboard should be a fully integral part of the Social Protection Performance Monitor and the Employment Performance Monitor. The SPC Indicators Subgroup prepared an ad-hoc report on the operationalisation of the scoreboard from that perspective and reviewed the list of the indicators of the SPPM accordingly.

In addition to the scoreboard, the Commission also decided to use a set of social indicators as auxiliary indicators in the scoreboard of the macroeconomic imbalance procedure³. This accumulation of monitoring instruments is expected to enhance the capacity of the EU to better anticipate the social impact of its economic policies.

In the second half of the year, the SPC undertook a comprehensive reflection in the context of the mid-term review of the Europe 2020 Strategy, which resulted in a joint opinion with EMCO endorsed by the 2014 EPSCO Council. This recognized the important contribution of the development of the SPPM to the capacity of the SPC to identify the main social trends and communicate them to the Council. It has also reinforced the multilateral surveillance capacity of the Committee, thus supporting EPSCO to bring the relevant social issues to the attention of the European Council.

²

<http://ec.europa.eu/social/keyDocuments.jsp?advSearchKey=EMUsocdimension&mode=advancedSubmit&langId=en&policyArea=&type=0&country=0&year=0>

³

http://ec.europa.eu/economy_finance/economic_governance/macroeconomic_imbalance_procedure/mip_scoreboard/index_en.htm

II. The social situation in the European Union

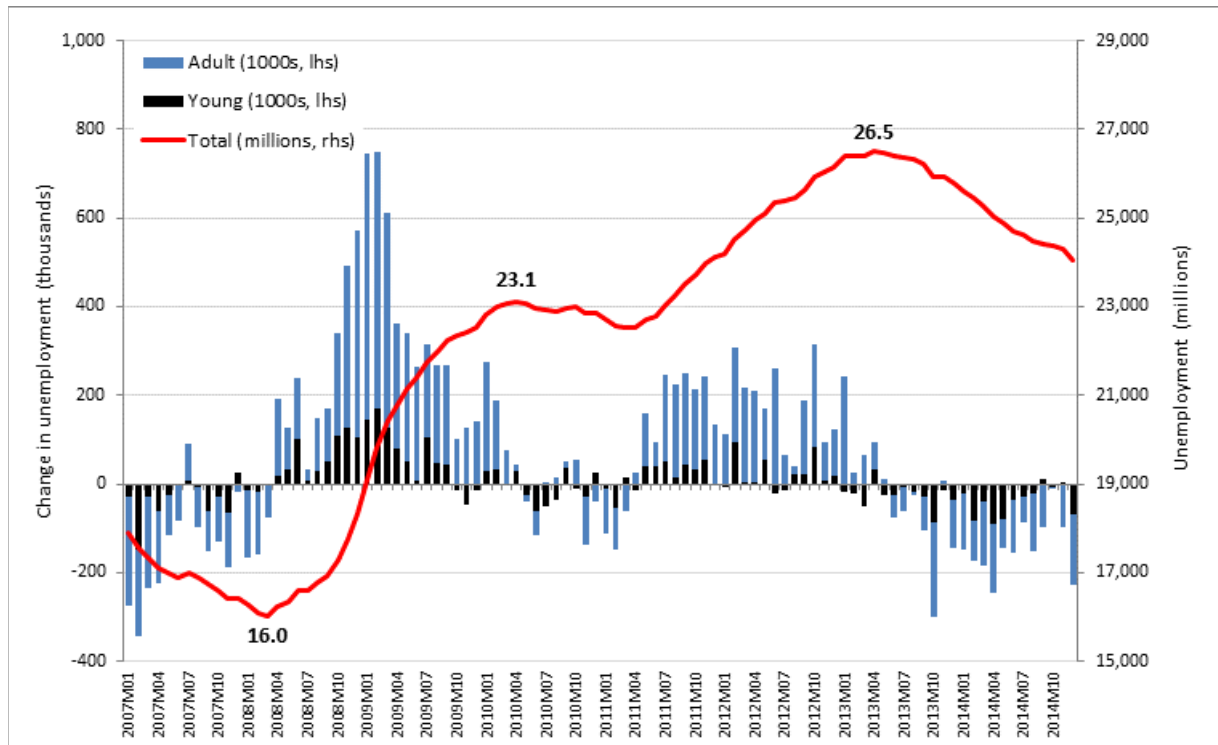
Macro-economic and labour market context

Although the EU has resumed economic growth the recovery which started in the spring of 2013 remains subdued and recent GDP forecasts for the EU have been revised down. Indeed, after just a year of moderate growth, the momentum of the EU economy began to slow in spring 2014 and in the second half of the year turned out to be very modest, while in the euro area it almost stagnated. GDP rose by 0.2% in the euro area (EA18) and by 0.3% in the EU28 during the third quarter of 2014, compared with the previous quarter. In the second quarter of 2014, growth rates were +0.1% and +0.2% respectively. Compared with the same quarter of the previous year, GDP was up by only 0.8% in the euro area and by 1.5% in the EU28 in the third quarter of 2014, but with particularly strong annual growth of over 3% in IE, HU, MT, PL, RO, SI and the UK although with continued contraction in CY, HR and IT.

The autumn 2014 European Commission Economic Forecast (European Commission (2014)) projects real GDP growth for 2014 as a whole to have advanced only moderately, at 0.8% and 1.3% respectively in the euro area and the EU. Looking to the year ahead, the forecast revised previous GDP growth for 2015 downwards significantly in both the euro area and the EU, but nevertheless the economy is still expected to gain some further traction with growth rates accelerating to 1.1% and 1.5% respectively in 2015.

Despite the weak macroeconomic background, employment has shown a small but consistent growth in the EU since mid-2013, in the large majority of EU Member States, and across the large majority of sectors. Nevertheless, labour market and social conditions remain extremely challenging. The euro area (EA18) seasonally-adjusted unemployment rate remains high at 11.4% in December 2014, slightly down from the peak of 12.0% recorded for most of 2013, while the EU28 unemployment rate was 9.9% in December, compared with 10.6% one year earlier. The number of (seasonally adjusted) unemployed in the EU28 reached an all-time high of 26.5 million in April 2013, but subsequently has been declining on a consistent basis to fall to around 24.1 million in December 2014. This nevertheless still represents a total increase of 8.0 million since the low of 16.0 million recorded in March 2008.

Figure 1. Monthly change in youth and adult unemployment and the total level of unemployment in the EU, January 2007 - December 2014

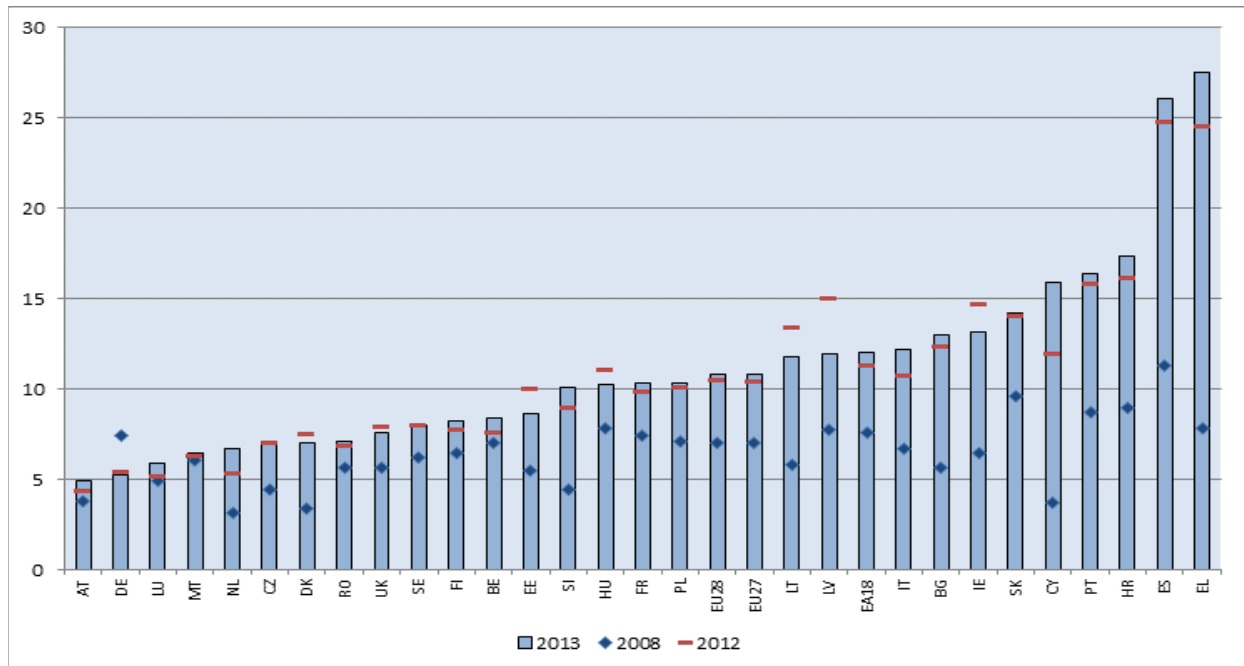


Source: Eurostat, data seasonally adjusted

Many challenges remain in the EU labour market, with important social consequences, in particular long-term unemployment and low employment opportunities for youth (15-24) and young adults aged 25-39. At the same time, poverty and social exclusion have risen over recent years in most Member States, affecting particularly the working age population and, by extension, children. Young people are suffering from high levels of labour market exclusion: nearly a quarter of economically active young people in the EU are unemployed and their prospects remain bleak for at least the year ahead. Although these challenges have recently eased slightly, they remain substantial and need to be tackled urgently.

A key feature of the recent crisis has been the growing divergence between countries in terms of the labour market and social impacts, especially within the Euro Area. Across the EU, but particularly within the euro area, Member States have experienced widening gaps in terms of employment, income, poverty, inequalities, youth employment and many other key aspects of the social situation. This divergence is exemplified by the varying extent to which the unemployment rate has evolved across the different Member States, with huge rises between 2008 and 2013 in the southern Member States (PT (up 7.7 pp), CY (12.2 pp), ES (14.8 pp) and EL (19.7pp)) compared to more moderate rises of under 2 pp in AT, BE, FI, LU, MT, RO and SE, and a reduction of 2.2 pp in DE.

Figure 2: Unemployment rate developments across EU Member States, 2008, 2012 and 2013



Source: Eurostat (LFS)

In terms of more recent trends, compared with a year earlier, the unemployment rate in December 2014 had decreased in almost all the Member States and rose in only 3 (FI, FR and IT). BG, EE, EL, ES, HU, LT, PL and PT experienced decreases of the order of 2 pp. Despite the recent improvement in the EU labour market, and the relatively stronger falls in the unemployment rates in many of the southern Member States, the rates in CY, EL, ES and PT (16.4%, 25.8%, 23.7% and 13.4% respectively) remain far above those of the central and northern countries at the end of 2014. In contrast, some of the other Member States hit particularly hard by the crisis, namely the Baltic States (EE, LV and LT) and IE, have seen a very strong recovery in their labour markets over recent years which has led to a substantial fall in unemployment in those countries. The lowest unemployment rates at the end of 2014 were observed in AT, CZ, DE, LU, MT and the UK, all with rates under 6%.

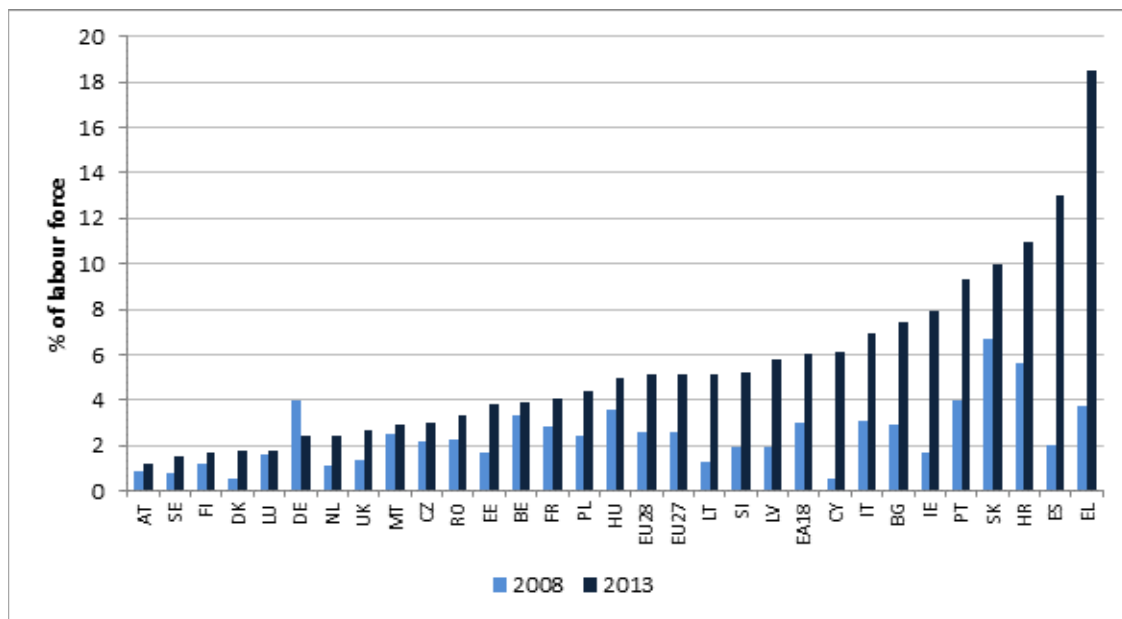
Although many factors have influenced the overall economic performance of different Member States in the past years, much of the current divergence results from how labour markets and social systems reacted to the severe global downturn as well as the fiscal consolidation packages implemented in the majority of Member States. The shockwaves from the crisis appear to have been asymmetric but the different institutional setups saw very different resilience to the widely experienced major shock from the initial financial crisis: countries with relatively un-segmented labour markets, solid industrial relations institutions and strong welfare systems have tended to fare better than those with highly segmented labour markets, strained labour relations and weak welfare provisions.

More than one in five young people in the labour market are unemployed. The situation of youth in the labour market represents both an economic and a social emergency, with around 5.0 million young persons (15-24 years) unemployed in the EU28 at the end of 2014, of whom 3.3 million were in the euro area. Driven by strong falls in the UK, and to a lesser extent in ES and PL, compared with December 2013 youth unemployment decreased by 464 thousand in the EU28 and by 168,000 in the euro area. Nevertheless, in December 2014, the youth unemployment rate was still a high 21.4% in the EU28 and 23.0% in the euro area, compared with 23.1% and 23.9% respectively in December 2013. The lowest rate was observed in DE (7.2%), but AT and NL also recorded rates under 10%. In contrast, the highest rates were in ES (51.4%) and EL (50.6%), while HR and IT also reported rates in the range 42% to 45%.

The proportion of **young people (18-24 years) who are neither in employment, education, nor in training (NEET) has increased sharply over recent years** but appears to have stabilised at EU level in 2013. The average NEET rate in 2013 was 17.0% (compared to 17.1% for 2012), representing an increase of 3.1 pps on the rate at the start of the crisis in 2008. However, underlying the EU average is wide disparity across Member States in both levels and trends in the NEET rate, with high and generally still increasing rates in the south of the euro area (for example rates continued to rise in CY, EL, ES and IT to reach levels of 27.1%, 28.2%, 24.0% and 29.3% respectively in 2013), whereas in the northern euro area Member States it remains relatively low, and under 10% in DE, DK, LU, NL and SE.

Long-term unemployment continues to rise and has reached alarming levels. In 2013, 12.4 million Europeans had been unemployed for more than 12 months, accounting for 5.1% of the economically active population across the EU and 6.0% in the euro area. Since 2008 the number of long-term unemployed has more than doubled in the EU and in the euro area (an increase of 6.2 million and of 4.8 million respectively). The largest increases in the long-term unemployment rate were recorded in Greece (from 3.7% in 2008 to 18.5% in 2013), Spain (from 2% in 2008 to 13% in 2013) and Ireland (from 1.7% to 7.9% (although having reduced over 2013 from 9.1% in 2012)).

Figure 3. Long-term unemployment rates in EU28, 2008 and 2013

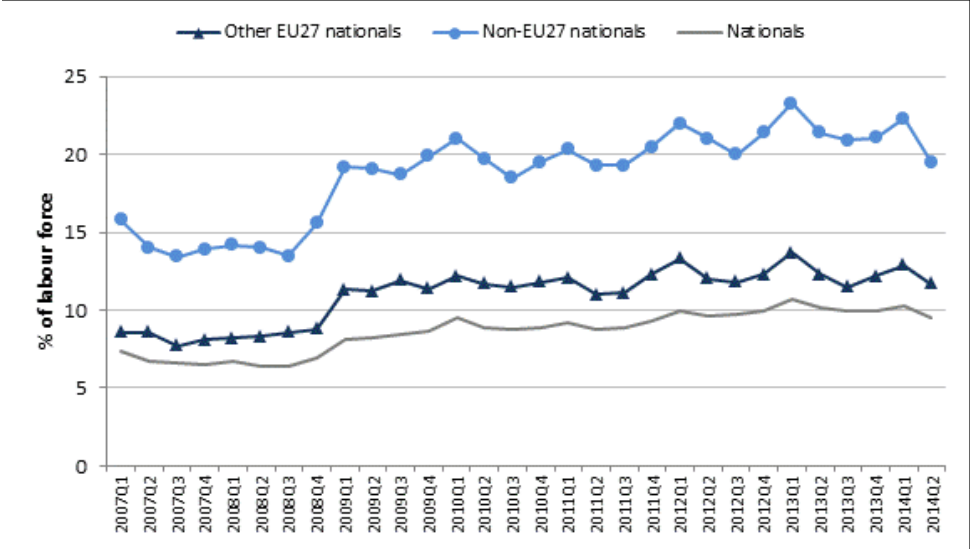


Source: Eurostat (LFS)

Migrants tend to be more affected by unemployment than the general population, as 19.5% of economically active third-country nationals living in the EU were without a job in mid-2014. The gap between the unemployment rates of migrant and native workers already existed before the economic downturn but increased markedly since the crisis hit, although declining somewhat over the first part of 2014.

As for intra-EU mobile citizens, they are generally more likely to be in employment than nationals living in the same country (despite the fact that unemployment rates tend to be relatively higher amongst intra-EU mobile citizens). This gap can be partly explained by differences in the age composition between EU mobile citizens and nationals. The overall rate of inactivity among intra-EU mobile citizens of working age has declined between 2008 and 2013 – from 23.7% to 22.1%. This happened despite an increase in the rate of unemployment among intra-EU mobile citizens during the economic crisis.

Figure 4. Unemployment rate breakdown for native workers, EU27 nationals and third-country workers, 2007-2014



Source: Eurostat (LFS)

Another issue relevant to the context for understanding developments in the social situation, especially regarding the target on the reduction of the population in poverty or social exclusion (see the following section), is the change in the size of the overall population since 2008, which has been quite dramatic in certain Member States. For example, the total population in LV and LT has declined by close to 8%, while it has expanded by around 11% in CY and LU (Table 1). Other Member States with sizable increases in the population include IE (3%), MT (3.3%), UK (3.8%), SE (4.1%) and BE (4.6%). For the EU as a whole, the total population increased by 1.3% or 6.7 million, mainly reflecting rises of around 1 million in ES and IT, 1.6 million in FR and 2.3 million in the UK.

Table 1: Population change between 2008 and 2013.

	2008	2013	% change
EU28	500,418,320	507,162,571	1.3
EU27	496,106,353	502,900,431	1.4
EA18	330,005,457	334,611,086	1.4
BE	10,666,866	11,161,642	4.6
BG	7,518,002	7,284,552	-3.1
CZ	10,343,422	10,516,125	1.7
DK	5,475,791	5,602,628	2.3
DE	82,217,837	82,020,578	-0.2
EE	1,338,440	1,320,174	-1.4
IE	4,457,765	4,591,087	3.0
EL	11,182,224	11,062,508	-1.1
ES	45,668,939	46,727,890	2.3
FR	64,007,193	65,578,819	2.5
HR	4,311,967	4,262,140	-1.2
IT	58,652,875	59,685,227	1.8
CY	776,333	865,878	11.5
LV	2,191,810	2,023,825	-7.7
LT	3,212,605	2,971,905	-7.5
LU	483,799	537,039	11.0
HU	10,045,401	9,908,798	-1.4
MT	407,832	421,364	3.3
NL	16,405,399	16,779,575	2.3
AT	8,307,989	8,451,860	1.7
PL	38,115,641	38,533,299	1.1
PT	10,553,339	10,487,289	-0.6
RO	20,635,460	20,020,074	-3.0
SI	2,010,269	2,058,821	2.4
SK	5,376,064	5,410,836	0.6
FI	5,300,484	5,426,674	2.4
SE	9,182,927	9,555,893	4.1
UK	61,571,647	63,896,071	3.8

Source: Eurostat, population statistics.

Notes: Population figures on 1 January of given year.

Little progress on the Europe 2020 poverty and social exclusion target

The commitment made in 2010 by the EU Heads of States and Governments to lift at least 20 million people out of being at risk of poverty or social exclusion, in the context of the Europe 2020 strategy, was a significant step forward. It stressed the equal importance of inclusive growth alongside economic objectives for the future of Europe, and it introduced a new monitoring and accountability scheme⁴. Within the framework of the Europe 2020 target, Member States set national poverty and social exclusion targets (Table 2), although the individual poverty-reduction ambitions of the Member States sums to a figure much lower than the EU level commitment to reduce poverty and social exclusion by 20 million.

Table 2. Europe 2020 poverty and social exclusion target - national targets 2014

	National 2020 target for the reduction of poverty or social exclusion (in number of persons)
EU28	20,000,000
BE	380,000
BG	260,000 (persons living in monetary poverty)*
CZ	Maintaining the number of persons at risk of poverty or social exclusion at the level of 2008 (15.3% of total population) with efforts reduce it by 30,000
DK	22,000 (persons living in households with low work intensity)*
DE	320,000 (long-term unemployed)*
EE	Reduction of the at risk of poverty rate after social transfers to 15%, equivalent to an absolute decrease by 36,248 persons*
IE	200,000 (persons in combined poverty)*
EL	450,000
ES	1,400,000-1,500,000
FR	1,900,000
HR	Reduction of the number of persons at risk of poverty or social exclusion to 1,220,000, equivalent to a decrease by 152,000 persons compared to 2011
IT	2,200,000
CY	27,000
LV	121,000 (at risk of poverty after social transfers and/or living in households with very low work intensity)*
LT	Reducing the number of persons at risk of poverty or social exclusion to 814,000
LU	6,000
HU	450,000
MT	6,560
NL	100,000 (people aged 0-64 living in a jobless household)*
AT	235,000
PL	1,500,000
PT	200,000
RO	580,000
SI	40,000
SK	170,000
FI	770,000 persons living at risk of poverty or social exclusion, equivalent to an absolute decrease by 140,000 persons
SE	Reduction of the % of women and men aged 20-64 who are not in the labour force (except full-time students), the long-term unemployed or those on long-term sick leave to well under 14%*
UK	Existing numerical targets of the 2010 Child Poverty Act and Child Poverty Strategy 2011-2014*

Source: National Reform Programmes (2014)

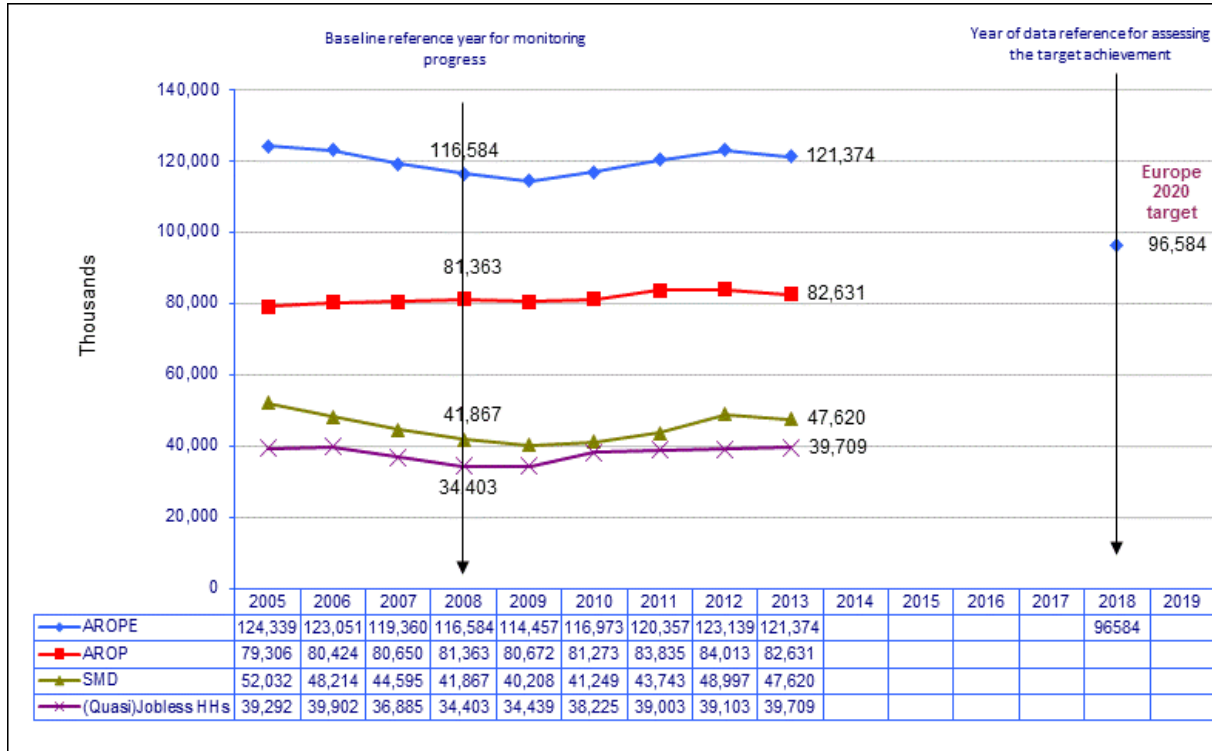
Notes: * denotes countries that have expressed their national target in relation to an indicator different than the EU headline target indicator.

⁴ COM (2010) 758 final

The EU poverty and social exclusion headline target is based on a combination of three indicators – the at-risk-of-poverty rate, the severe material deprivation rate, and the share of people living in (quasi-)jobless (i.e. very low work intensity) households. It considers people who find themselves in any of these three categories and, while very broad, it reflects the multiple facets of poverty and social exclusion across Europe. This definition extends the customary concept of relative income poverty to cover the non-monetary dimension of poverty and labour market exclusion.

The most recent EU SILC figures available (i.e. for 2013) show that there has been a stabilisation in the overall situation at EU level, although there continue to be disparities across Member States and a worsening situation in many. Even though 11 Member States registered statistically significant falls in poverty and social exclusion in 2013, around a 1/3 still saw significant rises. The latest figures on living and income conditions in the EU show that the EU is not making any major progress towards achieving its Europe 2020 poverty and social exclusion target of lifting at least 20 million people from poverty and social exclusion by 2020. In 2013 there were 4.8 million more people living in poverty or social exclusion in the EU28 compared to 2008 (the reference year, due to data availability, for the target adopted in 2010), a total of 122.6 million people or close to 1 in 4 Europeans.

Figure 5. Evolution of the Europe 2020 poverty and social exclusion target⁵ (figures in 1000s)



Source: Eurostat (EU-SILC)

Note: AROPE – at risk of poverty or social exclusion rate; AROP - at-risk-of-poverty rate; (Quasi-)jobless HHs - share of population living in (quasi-)jobless households (i.e. very low work intensity (VLWI) households); SMD - severe material deprivation rate. For the at-risk-of poverty rate, the income reference year is the calendar year prior to the survey year (i.e. 2012) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey). Similarly, the (quasi-) jobless households (i.e. very low work intensity) rate refers to the previous calendar year (i.e. 2012) while for the severe material deprivation rate, the reference is the current survey year (i.e. 2013).

The overall trend masks growing divergence between Member States. Increases between 2008-2013 have been observed mainly in the countries most affected by the economic crisis (EL, IT, CY,, but also IE and ES using data for the period 2008-2012), have persisted in a number of Eastern European countries which have some of the biggest challenges related to poverty and social exclusion (BG, HU) but have started becoming a significant trend also in countries such as MT and also in countries with some of the lowest shares of AROPE and solid welfare systems like DK and LU. AROPE has remained more or less stable compared to 2008 in BE, CZ, DE, EE, FR, LV LT, NL, PT and SK, while it has decreased in only four countries in the whole EU – AT, FI, PL and RO (Figure 6). In contrast to the generally worsening trend in the years since the crisis hit, many Member States have registered significant improvements between 2012 and 2013, including some (BG, IT, LT, LV) with strong prior increases relative to 2008.

⁵ Based on data for EU27

Figure 6. At risk of poverty or social exclusion rate (in %), evolution (in pp) 2012-2013 and 2008-2013

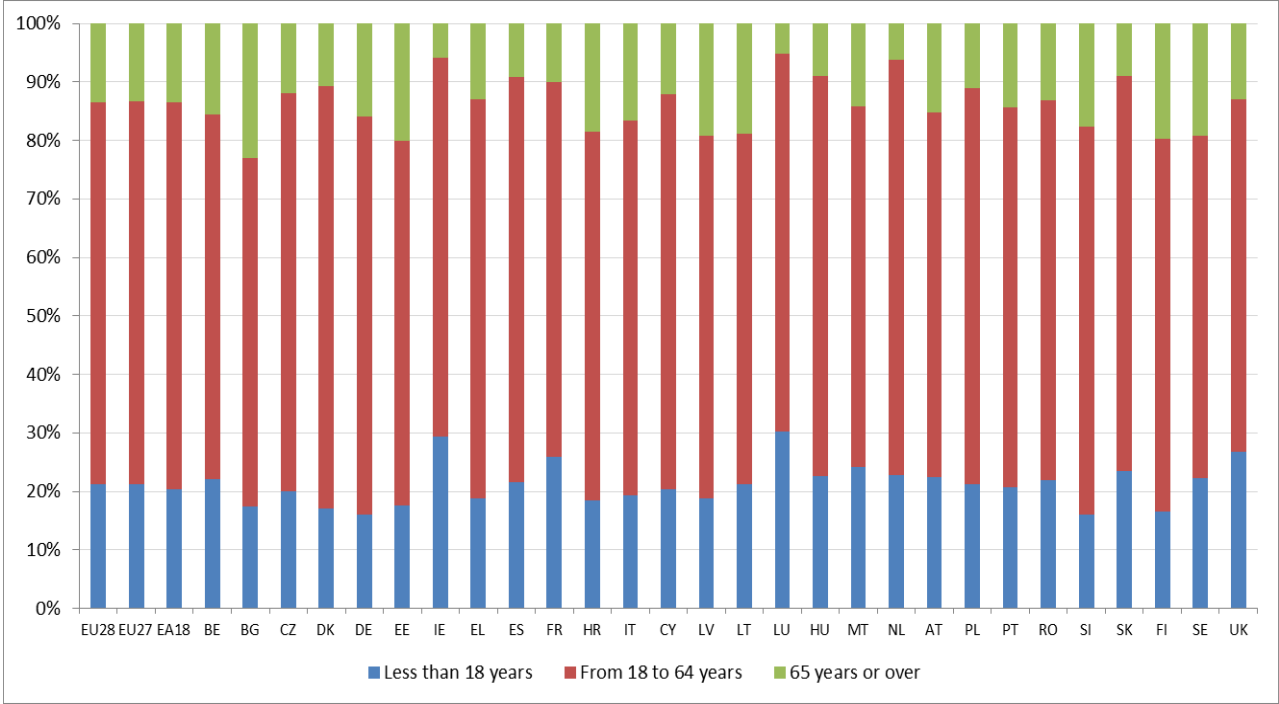
	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013	24.5	24.4	23.0	20.8	48.0	14.6	18.9	20.3	23.5	30.0	35.7	27.3	18.1	29.9	28.4	
2012-2013 change in pp	~	~	~	-0.8	-1.3	-0.8	~	0.7	~	n.a.	1.1	n.a.	-1.0	-2.7	-1.5	
2008-2013 change in pp	n.a.	0.6	1.3	~	3.2	~	2.6	~	~	6.3	7.6	3.7	~	n.a.	3.1	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013	27.8	35.1	30.8	19.0	33.5	24.0	15.9	18.8	25.8	27.4	40.4	20.4	19.8	16.0	16.4	24.8
2012-2013 change in pp	~	-1.1	-1.7	~	~	0.9	0.9	~	-0.9	2.1	-1.3	0.8	~	-1.2	0.8	0.7
2008-2013 change in pp	4.5	~	~	3.5	5.3	3.9	~	-1.8	-4.7	~	-3.8	1.9	~	-1.4	1.5	1.6

Source: Eurostat (EU-SILC)

Notes: i) Latest data available for Ireland refers to 2012 and changes are presented for the period 2008-2012 only; ii) Major break in series in 2013 in ES for income variables in EU-SILC, so no latest year changes are shown while longer term changes are presented for the period 2008-2012 only; iii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) Only statistically significant changes have been marked in green/red (positive/negative changes), using Eurostat computations of significance of net change. "~" refers to stable performance (i.e. statistically insignificant change). v) For the at-risk-of poverty rate, the income reference year is the calendar year prior to the survey year (i.e. 2012) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey). Similarly, the (quasi-)jobless households (i.e. very low work intensity) rate refers to the previous calendar year (i.e. 2012) while for the severe material deprivation rate, the reference is the current year (i.e. 2013).

The major part of the population at risk of poverty or social exclusion (between 59% in SE and 72% in DK) is composed of working age individuals (18-64). Children (0-17) comprise around a fifth in the EU as a whole, but around a quarter in FR and the UK and close to one third in IE and LU. For the elderly (65+) they account for 13 % at EU level, but for around 20% in EE, LV, LT, HR, SI, FI and SE, and as much as 23% in BG.

Figure 7. Distribution of the population at risk of poverty or social exclusion across age groups, 2013



Source: Eurostat (EU-SILC)

Note: Latest data available for Ireland refers to 2012.

Substantial and focused policy efforts need to become a political priority so that the EU poverty and social exclusion target remains a credible political commitment. Since current (2013) levels of poverty and social exclusion are 4.8 million people higher than in 2008, and assuming no further negative developments, almost 25 million people now need to be lifted out of poverty or social exclusion by 2020 in order to still achieve the target.

What are the drivers behind increased poverty and social exclusion at EU level?

Table 3 looks at the change in the risk of poverty or social exclusion for the period 2008-2013 for different population characteristics and specific risk groups across Member States. The main stylized facts that emerge are:

- i) the countries with the largest increase in the population at risk of poverty or social exclusion are EL, ES, IE, HU, CY, MT, LU, BG, LT and IT;
- ii) when taking into account the population size, the countries contributing substantially to the increase in the AROPE rate at the EU level are IT, ES (referring to the change 2008 to 2012) and to a lesser extent EL, HU and the UK;
- iii) relative poverty rates have remained fairly stable or with changes of up to 2pp in the period 2008-2013 for most Member States (with the exception of EL (3pp) and HR, LU, SE and SI (all with rises of around 2-2.5 pp));
- iv) severe material deprivation has seen some more substantial increases of around 5pp or more in several countries – EL (9.1 pp), HU (8.9 pp), CY (7.0 pp), MT (5.2 pp), IT (4.9 pp) and LV (4.7 pp);
- v) labour market exclusion as reflected in the share of (quasi-)jobless households has increased substantially in the countries hardest hit by the crisis – EL, ES, IE, LV, LT and PT, but also in BG;
- vi) youth have generally seen the most important deterioration in their income and living conditions, but also those of prime working age (25-54) and in some Member States also children have experienced substantial declines, while the elderly have fared better across the board, highlighting the important role of pension systems;
- vii) there is wide variation in the extent to which countries have managed to protect households with dependent children at risk (single parents, large families). Among those Member States with the largest rises in the AROPE rate, nearly all (with the exception of ES, LU and LT) have seen the most important increases in the AROPE for large families, this being especially the case in BG, EL, HU, IE and MT (all with rises of over 8 pp). In some cases (LU, LT but also DK, EE, FR, LV and SE), it is single parent households that have clearly suffered the largest increases compared to other household types.

Table 3. Evolution of the at risk of poverty or social exclusion rate (2008-2013) across relevant population characteristics and risk groups, in percentage points and % for the at-risk-of-poverty threshold

	AROPE	AROPE components				...by gender		...by age group					...by activity status			...by Household type				Share	
	AROPE	AROP	AROP Threshold	SMD	(quasi-) jobless HHs (VLW)	male	female	0-17	18-24	25-54	55-64	65+	employed	unemployed	inactive (excl. retired)	single person	HH w/out dependent children	single parent HH	Large families		% share in the EU28 AROPE
PL	-4.7	~	35.3	-5.8	~	-4.4	-5.0	-3.1	-3.6	-3.8	-8.0	-7.2	-4.2	-3.0	-5.7	-6.1	-6.3	-4.9	~	7.9	
RO	-3.8	-1.0	21.7	-4.4	-1.9	-3.6	-4.0	-2.7	2.6	-1.2	-6.0	-14.2	-2.3	4.0	2.7	-9.1	-8.3	-12.7	-2.2	7.0	
AT	-1.8	~	10.5	-1.7	~	-1.5	-2.2	~	~	~	-5.7	-5.0	-1.7	-2.8	~	-2.8	-2.7	~	-3.7	1.3	
FI	-1.4	-1.8	15.5	-1.0	1.5	~	-2.7	-2.1	-2.0	~	~	-7.1	-1.8	-3.3	4.2	-1.9	-1.1	-6.6	-1.5	0.7	
SK	~	1.9	41.5	-1.6	2.4	~	-1.8	1.2	1.4	1.1	-4.5	-8.3	-1.9	-1.5	3.2	-10.0	-2.8	4.0	-2.6	0.9	
CZ	~	~	9.5	~	~	~	-1.1	-2.2	1.1	~	~	-2.1	~	-3.6	7.6	-4.1	~	-19.1	-3.5	1.2	
FR	~	1.2	10.8	~	~	~	~	~	~	1.3	-2.6	-3.7	~	-3.5	4.7	-1.1	-1.5	3.6	~	9.2	
BE	~	~	18.1	~	2.3	1.3	-1.2	~	~	2.7	-6.4	-3.4	~	11.9	4.1	~	~	4.0	3.7	1.9	
DE	~	~	7.6	~	-1.8	~	~	~	~	~	~	~	~	1.5	6.6	3.3	1.1	~	-4.6	-1.1	13.2
EU27	0.6	~	n.a.	1.1	1.5	1.2	~	1.0	3.4	2.7	~	-5.2	~	2.2	1.9	-1.2	~	~	~	99.0	
LV	~	-6.5	-7.4	4.7	4.6	2.8	~	6.0	11.3	6.6	-1.3	-22.7	3.1	11.9	6.5	-16.3	-6.6	10.8	7.6	0.6	
NL	~	~	~	1.0	1.1	~	~	1.4	1.5	2.5	2.1	1.8	-3.6	~	-2.6	9.0	3.8	~	-3.6	4.1	2.2
EA18	1.3	~	n.a.	1.5	1.7	1.9	~	1.2	3.8	3.4	~	-3.9	1.0	3.0	1.5	~	~	~	~	61.6	
PT	1.4	~	~	1.2	5.9	2.4	~	2.1	5.6	4.2	2.1	-7.4	-1.4	8.1	4.9	-8.3	~	-4.6	13.3	2.3	
SE	1.5	2.6	15.3	~	1.6	1.2	1.8	1.6	2.9	1.2	~	1.0	~	-1.6	10.1	5.7	1.8	5.1	1.5	1.3	
UK	1.6	-2.8	-11.2	3.8	2.8	1.9	1.1	3.0	6.5	4.0	3.8	-10.4	1.4	-4.5	3.5	~	-1.9	-1.5	-1.7	12.7	
EE	1.7	~	13.0	2.7	3.1	3.6	~	2.9	9.3	4.1	5.0	-12.9	2.4	-3.6	4.9	-11.6	~	2.6	~	0.3	
SI	1.9	2.2	~	~	1.3	2.8	1.1	2.2	3.3	2.6	~	-1.4	1.4	11.2	-5.8	-6.2	1.1	-6.6	5.5	0.3	
DK	2.6	~	8.7	1.8	4.4	3.0	2.2	2.8	10.5	4.2	2.1	-7.2	~	~	3.4	2.9	1.8	8.2	3.3	0.9	
IT	3.1	~	~	4.9	1.2	4.0	2.4	2.8	6.3	5.5	2.1	-1.8	4.3	8.9	~	~	2.9	1.4	3.3	14.1	
LT	3.2	~	5.8	3.7	5.9	3.0	3.3	6.0	1.9	5.6	3.1	-6.4	1.8	13.7	-3.6	-9.2	1.1	1.8	-5.3	0.7	
BG	3.2	~	27.1	1.8	4.9	3.5	3.0	7.3	8.8	5.9	-1.3	-7.9	4.2	2.9	8.2	-12.9	-1.8	6.7	8.5	2.8	
LU	3.5	2.5	~	1.1	1.9	4.4	2.7	5.1	4.9	2.8	3.2	1.6	2.1	12.2	5.8	3.5	1.9	4.7	~	0.1	
ES	3.7	1.4	-9.1	2.2	7.7	5.0	2.4	3.2	9.4	8.7	2.1	-11.1	1.7	11.0	-1.5	-6.5	2.0	1.3	-6.9	10.3	
MT	3.9	~	17.1	5.2	~	4.4	3.4	7.0	10.2	5.8	~	-5.2	4.5	16.9	4.9	-3.0	~	-9.5	8.5	0.1	
CY	4.5	~	~	7.0	3.4	6.3	2.9	6.2	11.9	10.6	1.2	-23.2	6.7	21.5	6.6	-3.2	-1.1	-5.6	2.8	0.2	
HU	5.3	1.9	13.9	8.9	~	5.8	4.9	9.6	4.7	6.5	2.5	1.5	6.0	6.6	7.2	~	2.7	4.6	9.1	2.7	
IE	6.3	~	-10.9	4.3	9.7	7.0	5.7	6.5	20.7	9.0	1.4	-7.8	1.7	8.0	-2.8	-5.8	5.7	~	8.7	0.9	
EL	7.6	3.0	-24.5	9.1	10.7	8.3	7.0	9.4	16.7	11.3	8.3	-5.0	1.5	10.0	10.4	-1.1	4.9	3.0	10.6	3.2	
EU28	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	100.0
HR	n.a.	2.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.0

Source: Eurostat (EU-SILC); Sorted by the size of the AROPE change between 2008 and 2013.

Notes: i) " ~ " refers to stable performance (i.e. statistically insignificant change) with a 1pp threshold level used, or for AROPE using Eurostat computations of significance of net change (note figures for changes in AROPE in EE, PT, LT are shown but are not significant using Eurostat estimates); ii) no 2013 data for IE, so reference is made to the period 2008-2012; iii) For 2013 EU-SILC data ES registered a major break in series for the income variables. As a result, income related indicators are not comparable to 2008 for this country and the changes in the AROPE and its components are therefore, for consistency, all presented for the period 2008-2012 only; iv) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; v) the AROP threshold refers to a single person household and is calculated as the percentage change of the threshold expressed in pps.

Looking at the country-specific situation, we can note that in EL, which has registered the largest (7.6pp) deterioration in the AROPE rate for the period 2008-2013, the main drivers behind this are the increases in the severe material deprivation rate and the share of (quasi-) jobless households. Youth (18-24) and workers of prime working age (25-54) have seen their income and living conditions deteriorate more than children and older workers, while the income situation of the elderly has improved relative to the rest of the population. While the share of working poor has increased only slightly, the AROPE rate for people outside of the labour market (unemployed or inactive) has increased above 10pp. Single parents and especially large families have also seen their situation deteriorate substantially, with the share of large families at risk of poverty or social exclusion increasing by more than 10 percentage points.

In IE, which has the second highest increase in AROPE (based on the change between 2008 and 2012, amounting to 6.3pp), the main driver has been the share of (quasi-) jobless households (up 9.7 pp). With regard to age groups the pattern is similar to that for EL, with youth and workers of prime working age faring the worst while the relative situation of the elderly has improved. The AROPE rate for the unemployed has risen by 8 pp while for the inactive it has decreased by 2.8 pp. While large families have seen a substantial rise in their AROPE rate, single parents have been relatively less affected.

For HU, the worsening level of severe material deprivation is behind its AROPE increase of 5.3 pp. In terms of age groups, the strongest increase in the AROPE rate has been for children, and in line with this single parent households and large families have seen the most important rises among the various household types. With regard to activity status, the rises for employed, unemployed and inactive have been broadly similar.

At the other end of the spectrum, only four countries have registered a decrease in their AROPE rates in excess of 1 pp for the period 2008-2013, namely AT, FI, PL and RO. In all cases a main driver behind this change has been the improvement in the severe material deprivation rate. The AROPE has decreased for all age groups in PL, while this has also been the case in RO apart from for the youth age group. In AT and FI the improvement has mainly been for the elderly or older workers. In PL and RO, substantial improvements were observed across all household types except for large families, while in FI the strongest improvement was for single parent households.

All this clearly shows that **behind the changes in the AROPE rates lie very different dynamics in terms of what is driving the change. Some countries show quite similar patterns in terms of the type of individuals most affected but a number of Member States have very heterogeneous profiles.** This is due not only to the way the economic crisis has affected countries and their population but also to the structural challenges they face and the policy mix they have implemented.

In order to examine developments further, some Member States have developed complementary approaches to monitoring social developments during the crisis, going beyond the common indicators generally used in social monitoring (as in the SPPM). These complementary approaches can provide useful additional information on what is happening to the social situation in countries, and are summarised in Box 1 for certain Member States (BE, IE and IT).

Box 1. Social monitoring in times of crisis – the approaches of Belgium, Ireland and Italy

Belgium: Simultaneously picturing the level and the evolution of the at-risk-of-poverty rate and threshold during the Great Recession

Since the start of the Great Recession, median income and thus the at-risk-of-poverty threshold (60% of median income) has gone down at one time or another in nearly all the EU Member

States. This has raised questions regarding the interpretation of the results of the at-risk-of-poverty indicator, especially in cases where a drop in the at-risk-of-poverty rate (positive) coincided with a drop in median income and thus in the at-risk-of-poverty threshold (negative). Some people whose income hadn't changed were no longer considered to be at risk of poverty simply because of the drop in the threshold.

In considering this, it is important to remember that the at-risk-of-poverty rate is actually the relative income poverty rate where the threshold is equal to 60% of median income. The indicator is consistent with the early official definition of poverty by the EU Council of Ministers (1975), which defines people as poor in relation to the standard of living in the Member State in which they live. It captures the relative, and not the absolute dimension of poverty. Looking at developments over time, the question the relative income poverty indicator tries to answer remains as relevant as ever: 'Does an increase in the average standard of living brought about by economic growth also benefit the lower end of the income distribution?' Or conversely - in case the average standard of living goes down - 'Does the living standard of people at the lower end of the income distribution (proportionally or more than proportionally) go down with it or are these people to some extent protected from the decline in the average standard of living?'

Even if it makes sense to look at the development of the at-risk-of-poverty rate in isolation, it is clear that analysing it in combination with the threshold can lead to a better understanding of what is happening to income poverty in the EU. Therefore, adding a scatterplot that combines the rate and the threshold will reinforce the monitoring framework.

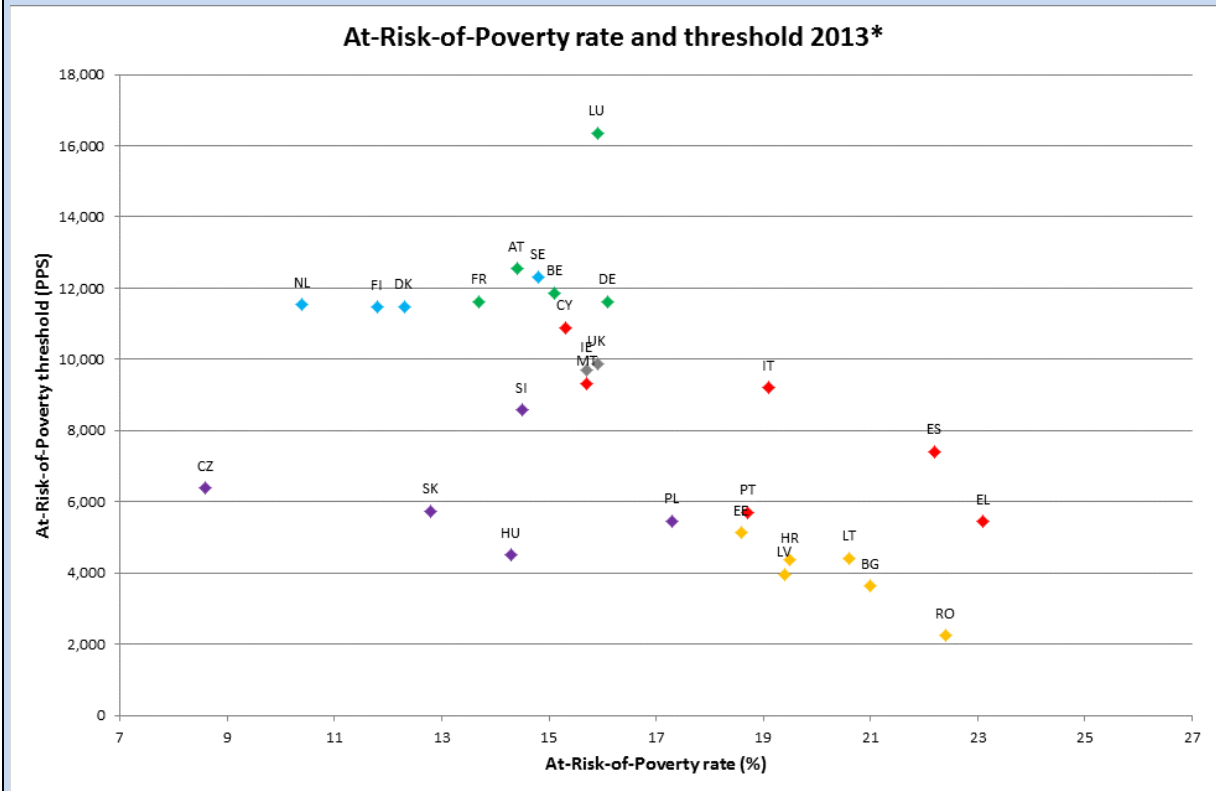
The at-risk-of-poverty rate and threshold are contained in the Social Protection Performance Monitor that is at the core of this report as two separate indicators (see [Figure 10](#)), meaning that there is an agreed normative interpretation of the change in both indicators (hence the colour coding of statistically significant developments: green = positive, red = negative). This implies that Member States should try to bring down the at-risk-of-poverty rate, while increasing the average standard of living, i.e. driving up median income, and thus the at-risk-of-poverty threshold. It is important to note that in the SPPM the threshold is expressed in purchasing power parities. Purchasing power parities (PPPs) are used as currency conversion rates to convert income or expenditures expressed in national currencies into an artificial common currency (the Purchasing Power Standard, PPS), thus eliminating the effect of price level differences across countries. Since the Monitor refers to the threshold in PPS (and not in national currency) developments of the threshold in an EU comparative perspective are measured.

In the scatterplot below, which is strictly limited to SPPM data and is based on EU-SILC 2013 figures⁶, EU Member States are compared according to their at-risk-of-poverty rate (X-axis) and their at-risk-of-poverty threshold for a single person (Y-axis). The challenge is to move to the top left corner of the graph (increase the threshold and reduce the rate). The chart allows us to visually

⁶ SILC 2012 data have been used for Ireland because of the unavailability of SILC 2013 data and for Spain because of the break in the times series in 2013 and the need for consistency with [Figure 11](#).

compare not only the at-risk-of-poverty rates but also the at-risk of poverty thresholds across countries. It is clear that countries with similar rates often have very different median income levels.

Figure 8. The at-risk-of poverty rate and associated poverty threshold in 2013



(*) SILC 2012 data have been used for Ireland because of the unavailability of SILC 2013 data and for Spain because of the break in the times series in 2013 and the need for consistency with Figure 11. Clustering and colour coding of countries is based on the groupings proposed by the Commission in the ESDE 2013 report (page 337): Southern Europe: red; Western Europe: green; Central Europe: purple; Eastern Europe: yellow; Northern Europe: blue; North-Western Europe: grey.

It is possible to further develop the analysis by introducing the time dimension in the graph. This has been done in Figure 11 of this report. The graph shows the combined evolution in the at-risk-of-poverty rate and the associated at-risk-of-poverty threshold over the period 2008-2013. The arrows depict how Member States have moved on the two indicators over the full period since the start of the crisis. Arrows pointing to the top left corner (in green) point to progress on both indicators, while arrows pointing to the bottom right corner (in red) point to a negative development on both indicators. This visual representation can contribute to a better understanding of the development of the risk-of-poverty at Member State level. It will also help in assessing the situation at the level of the EU, e.g. by showing whether trends are converging or diverging between the Member States. Similar graphs can be produced to cover the pre-crisis period 2005-2008 or the full period for which EU-SILC data are available: 2005-2013. Of course, in showing/interpreting the graphs, any breaks in the time series need to be taken into account and one should be aware that the threshold is shown in PPS. Furthermore, there is no indication of the statistical significance of the changes.

Ireland: Economic Stress and the Great Recession in Ireland: Polarization, Individualization or ‘Middle Class Squeeze’?

Bertrand Maître⁷, Helen Russell⁵ and Christopher T. Whelan⁸

Following an unprecedented boom, since 2008 Ireland has experienced a severe economic and labour market crisis. Considerable debate persists as to where the heaviest burden of the recession has fallen, but conventional measures of income poverty and inequality have a limited capacity to capture the impact of the recession.

The economic crisis has had a detrimental effect on the livelihoods of many Irish households. While rising unemployment and poverty are visible signs of the recession’s impact, it is likely that the effects of such an extensive decline in GDP and severe cuts in public expenditure have spread considerably further than those who have directly experienced job losses and income poverty. Increases in taxation, declining wages and hours of work, and reductions in state transfers have impacted across the social and income distribution, while indebtedness and mortgage arrears have spiralled among groups who were previously well protected from financial difficulties. The scale of these effects has led to questions as to the class and life-course distribution of the cost of the recession and the extent to which the burden has been disproportionately borne by specific social groups.⁹

Purely income-based poverty measures have failed to pick up the rising hardship because the general decline in income levels led to the poverty threshold falling in value. Here instead the focus has been on a subjective measure of economic stress while controlling for level of material deprivation and welfare dependency. The analysis suggests that changes in economic stress levels between the boom and bust periods for income class groups are largely accounted for by trends in objective circumstances and their changing impact.

It is clear from the findings that economic stress was strongly influenced by income class and social class stratification for both of the time periods considered. There is no evidence that the increasing influence of life-course factors led to a diminution in the impact of either income class or social class. Instead a pattern of interaction is observed that shows the impact of each factor to be highly contingent on the situation in relation to the other.

The pattern of change over time cannot be accurately described as involving either individualization or polarization. The recession resulted in raised stress level for all income classes and social classes. The affluent class remained largely insulated from the experience of economic stress, however, it saw its advantage relative to the income poor class decline at the earliest stage

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⁹ Use is made of both a measure of social class as developed by Goldthorpe (2006) as well as a measure based on household income classification as used by Atkinson and Brandolini (2013).

of the life-course and remain stable across the rest of the life course.¹⁰ At the other end of the hierarchy, the income poor class experienced a relative improvement in their stress situation in the earlier life course phase and no significant change at the later stages. For the remaining income classes, life-course stage was even more important. At the earliest stage the precarious class experiences some improvement in its situation while the outcomes for the middle classes remain unchanged. In the mid-life course the precarious and lower middle classes experience disproportionate increase in their stress levels while at the later life-cycle stage it is the combined middle classes that lose out. Additional effects over time relating to social class are restricted to deteriorating situation of the petit bourgeoisie at the middle stage of the life-course.

The analysis has provided clear evidence of the substantial impact of both class and life course effects or as they have been described in the social investment literature – ‘old’ and ‘new’ risks. However, rather than ‘old’ class related risks being displaced by ‘new’ life course risks, instead a complex pattern of interaction is observed in which income and class effects are conditional on phase of the life-course and vice versa. Understanding the changing role of class and life course factors is greatly facilitated by moving beyond a focus on income in order to develop a multi-dimensional perspective that encompasses material deprivation and economic stress.

Since 2011 there have been significant further cuts in public sector pay, and tax changes such as the introduction of a property tax and additional cuts in public sector pay introduced in 2013. These are not captured in the current analysis and may affect subsequent patterns of economic stress. The analyses also stops well before the labour market recovery observed in 2013. It is likely that in an upturn, middle class groups will benefit disproportionately from increased employment and a rise in property values. Nevertheless, dealing with the potential political pressures arising from the unprecedented levels of economic stress for the precarious and lower middle income classes and the petit- bourgeoisie while sustaining the social welfare arrangements that have in significant part protected the income poor class, presents formidable challenges in terms of maintaining social cohesion and political legitimacy as exemplified by the scale of the recent opposition to the introduction of water charges.

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¹⁰ The affluent class is the group of individuals with an equivalised household income greater or equal to 167% of the median equivalised household income. The precarious income group has an equivalised household income between 60% and 74% of the median equivalised household income (see Maître, Russell and Whelan, 2014 for more details)

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Italy: SOCIAL MONITORING IN TIME OF CRISIS: THE ITALIAN ABSOLUTE MEASURE OF POVERTY

The Italian National Institute of Statistics disseminates yearly a measure of absolute poverty based on a basket of goods and services considered as essential for a household to avoid the extreme condition of social exclusion (basic needs). It is made up of a food and drink component and a housing component. However, such components do not completely define individual and household needs, as health, education, transport and clothing expenses are excluded. For these needs a lump-sum was defined (residual component).

The total of the three components (in particular their monetary definition) is a standard reference consumption expenditure for an Italian household that guarantees an adequate nourishment, a decent dwelling and the fulfilment of other main needs and to avoid any kind of social exclusion.

The assumption underlining the basket is that the basic needs are homogenous all over the Country but their costs differ. Therefore the basket monetary value - and the absolute poverty threshold- vary by geographical area and residence municipality size.

The poverty thresholds are calculated for each single household type, depending on the number and age of its members. Finally, the basket monetary value is updated taking into account the individual good and service price dynamics by geographical area.

The food component was based on the individual calories needed to carry out usual daily activity; assumed as invariable over time and independent from the preferences of single individuals for various foods or drinks. A nutritional model defined by the Italian National Nutritional Institute was used proposing daily individual diets on the basis of sex and age of individuals.

The monetary evaluation of the food basket was made on the basis of the lowest consumer prices available for each household in Italy. Using the elementary prices collected by Istat, for each single good a weighted average of the prices charged in three different distribution canals (hard discount, modern and traditional distribution) is obtained for each geographical area.

At this stage, the food and drink component value is computed without taking into account the effect of possible saving actions, since it is calculated only on the basis of the individual caloric need. Larger/smaller households can save/not save money on purchasing bigger quantities of food or on being obliged to buy the minimum packaging. Even if these do not represent real economies of scale, they have to be considered on evaluating the minimum amount of money needed by the single household to buy the defined basket.

As regards the housing component a distinction is made between two aspects: i) the availability of the dwelling; ii) the facilities it must be equipped with. According to the availability, expenditure on rents was used adopting the national regulation (Decreto Ministeriale 5 July 1975) that associates specific household sizes to minimum adequate surface classes houses.

Among housing expenditures, electric power and heating were considered. For the electric power the monetary evaluation (at current prices) was made under the hypothesis of minimum consumption, obtained using the estimation provided by the "Autorità per l'energia elettrica e il gas" by household size and electrical durable goods availability.

TV, refrigerator and washing machine are the electrical durable goods included in the basket as basic needs. Also the availability of a non- electric cooker is included because it is widely owned even by households with strong economic constraints. For these goods the monthly depreciation quotas were taken into account, calculated for each good on the basis of the average duration (estimated by the insurances) and of the relative consumer prices.

As the residual expenditures strongly depend on individual characteristics and less on scale economies in respect to housing expenditure, it has been hypothesized that this component depends on the household typology and it has been obtained as a percentage of the food basket expenditure.

The total basket value was calculated summing up the different components for each household and it differs by i) household size, ii) household age composition, iii) size of the residence municipality and iv) geographical area. In this way many thresholds of absolute poverty have been defined, as combinations of household type, geographical distribution and size of the municipality of residence. To inflate or deflate the poverty threshold over time, the consumer price analytical indexes (the specific index for each good and service in the basket) for the whole community have been used. Under the hypothesis that the prices dynamics can geographically differ, the deflation/inflation has been done by geographical area.

During the crisis years, in Italy, the incidence of absolute poverty began to show signs of growth since 2011, continuing in 2012 and 2013 against an increase of severe deprivation and of the indicator of the risk of poverty or social exclusion (EU2020) observed in 2011 and 2012, but not in 2013. The risk of poverty increased in 2011 (2010 income), but was stable in 2012 (2011 income), given a poverty line in 2012 with income lower than that obtained in 2011 and 2010 and slightly higher than those calculated for 2009 and 2008 income.

The latter indicators capture different aspects of the condition of households, more linked to inequality (such as the risk of poverty measure) rather than conjunctural trends and price dynamics.

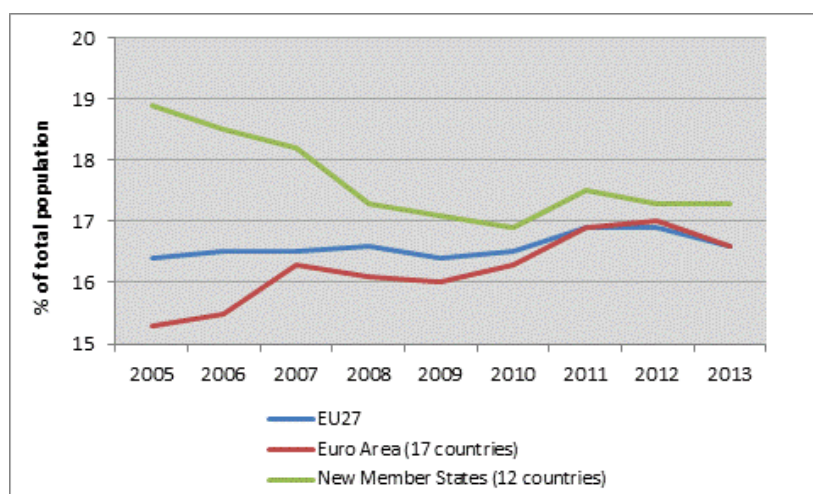
The absolute poverty indicator represents an additional instrument that can be used with other indicators, also available at the European level, to give a more complete picture of the households' economic conditions, to enrich the flow of information and "correct" possible interpretation

distortions of each approach. Moreover, it focuses on the poorest among the poor, giving key elements to properly orient policies against poverty.

Developments in the relative poverty risk

Looking at the evolution in the relative poverty rate over the past 8 years, we can see that the EU27 rate has been quite stable and only started to increase noticeably after 2010, although 2013 saw it fall again to the same level as in 2008. Behind the movements in the average, there are two underlying trends worth highlighting – while the overall trend for the average poverty rate of new Member States was downward until 2010, with only a slight increase in 2011 before the downward trend continued, the Euro area poverty rate registered a rather consistent increase through to 2012, before showing a fall in 2013 (Figure 9).

Figure 9. At-risk-of-poverty rate (EU27, EA17, NMS12), 2005-2013



Source: Eurostat (EU-SILC)

8 Member States experienced increasing at-risk-of-poverty rates between 2012 and 2013, the most notable rises being observed in EE, LT and SI. In around half of the Member States, the poverty rate has remained stable in the most recent period, with some improvements for a few countries – BE, CZ, FI and FR. In the longer term, however, 9 Member States had substantially worse relative poverty rates compared to the start of the crisis in 2008, with the highest increases in EL (3.0 pp), HR (2.2 pp), LU (2.5 pp), SI (2.2 pp) and SE (2.6 pp).

However, the changes in the at-risk-of-poverty rate must be assessed in parallel with the underlying developments in the poverty threshold. In this regard, for 2/3 of Member States there was no significant change in the threshold between 2012 and 2013, while for some 6 Member States there was a substantial increase. However, of particular note is the 10% decline in the poverty threshold in EL, which raises concern even though the at-risk-of-poverty rate remained stable.

Figure 10. Evolution (in pp) of the at-risk-of-poverty rate and the associated at-risk-of-poverty threshold (in %, in Purchasing Power Standard (PPS)), 2012-2013 and 2008-2013

AROP

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013	16.7	16.6	16.7	15.1	21.0	8.6	12.3	16.1	18.6	15.7	23.1	20.4	13.7	19.5	19.1	
2012-2013 change in pp	~	~	~	-0.2	~	-1.0	~	~	1.1	n.a.	~	n.a.	-0.4	~	~	
2008-2013 change in pp	n.a.	~	~	~	~	~	~	~	~	~	3.0	1.4	1.2	2.2	~	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013	15.3	19.4	20.6	15.9	14.3	15.7	10.4	14.4	17.3	18.7	22.4	14.5	12.8	11.8	14.8	15.9
2012-2013 change in pp	0.6	~	2.0	0.8	~	0.6	0.3	~	~	0.8	~	1.0	~	-1.4	~	~
2008-2013 change in pp	~	-6.5	~	2.5	1.9	~	~	~	~	~	-1.0	2.2	1.9	-1.8	2.6	-2.8

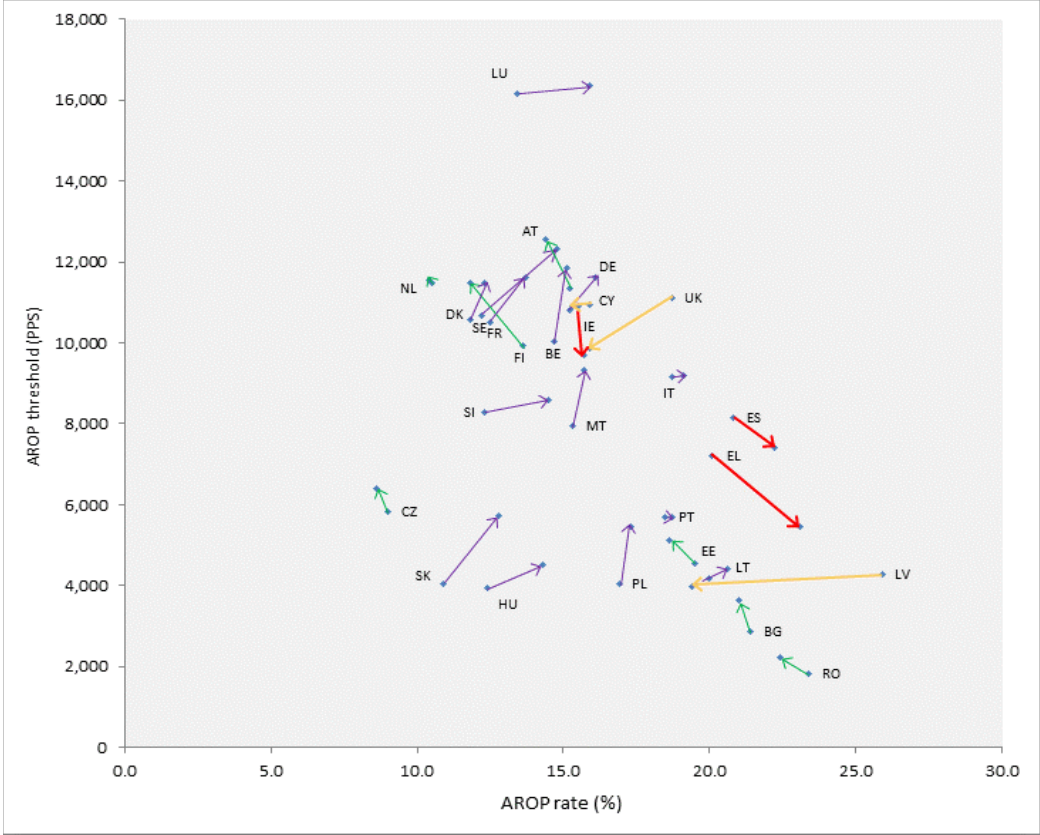
AROP Threshold (in PPS)

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013	n.a.	n.a.	n.a.	11,865	3,633	6,389	11,481	11,622	5,130	9,713	5,452	8,543	11,631	4,355	9,205	
2012-2013 change in pp	n.a.	n.a.	n.a.	6.9	~	~	~	~	8.4	n.a.	-9.7	n.a.	~	~	~	
2008-2013 change in pp	n.a.	n.a.	n.a.	18.1	27.1	9.5	8.7	7.6	13.0	-10.9	-24.5	-9.1	10.8	~	~	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013	10,896	3,971	4,411	16,360	4,507	9,321	11,536	12,555	5,463	5,705	2,237	8,571	5,741	11,470	12,316	9,882
2012-2013 change in pp	~	6.9	9.3	~	~	6.4	~	~	5.4	~	~	~	~	~	~	~
2008-2013 change in pp	~	-7.4	5.8	~	13.9	17.1	~	10.5	35.3	~	21.7	~	41.5	15.5	15.3	-11.2

Notes: i) Latest data available for Ireland refers to 2012 and changes are presented for the period 2008-2012 only; ii) Major break in series in 2013 in ES for income variables in EU-SILC, so no latest year changes are shown while longer term changes are presented for the period 2008-2012 only; iii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) Only statistically significant changes have been marked in green/red (positive/negative changes). For the change 2012-2013, Eurostat computations of significance of net change. For the change 2008-2013, a 1pp threshold has been used. "~" refers to stable performance (i.e. statistically insignificant change). v) For the at-risk-of poverty rate, the income reference year is the calendar year prior to the survey year (i.e. 2012) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).

Focusing on the longer term changes since 2008 (Figure 11), again highlights the especially worrying developments in EL where a significant rise in the risk of poverty is combined with a substantial fall in the poverty threshold of close to 25%. In addition, based on the change between 2008 and 2012, IE has not seen a significant rise in the risk of poverty, but this is nevertheless associated with a fall of around 11% in the actual poverty threshold, while in ES a significant increase in the poverty rate occurs simultaneously with a fall of around 9% in the threshold. Some Member States have experienced a combined significant rise in both the poverty risk and the threshold (most notably SE and SK), and some a significant fall in the poverty risk combined with a rise in the threshold (most notably FI). Finally, a few countries have seen a fall in the poverty risk together with a drop (in PPS terms) in the poverty threshold.

Figure 11. Combined evolution in the at-risk-of-poverty rate (in %) and the associated at-risk-of-poverty threshold (in PPS), 2008-2013



Source: Eurostat (EU-SILC)

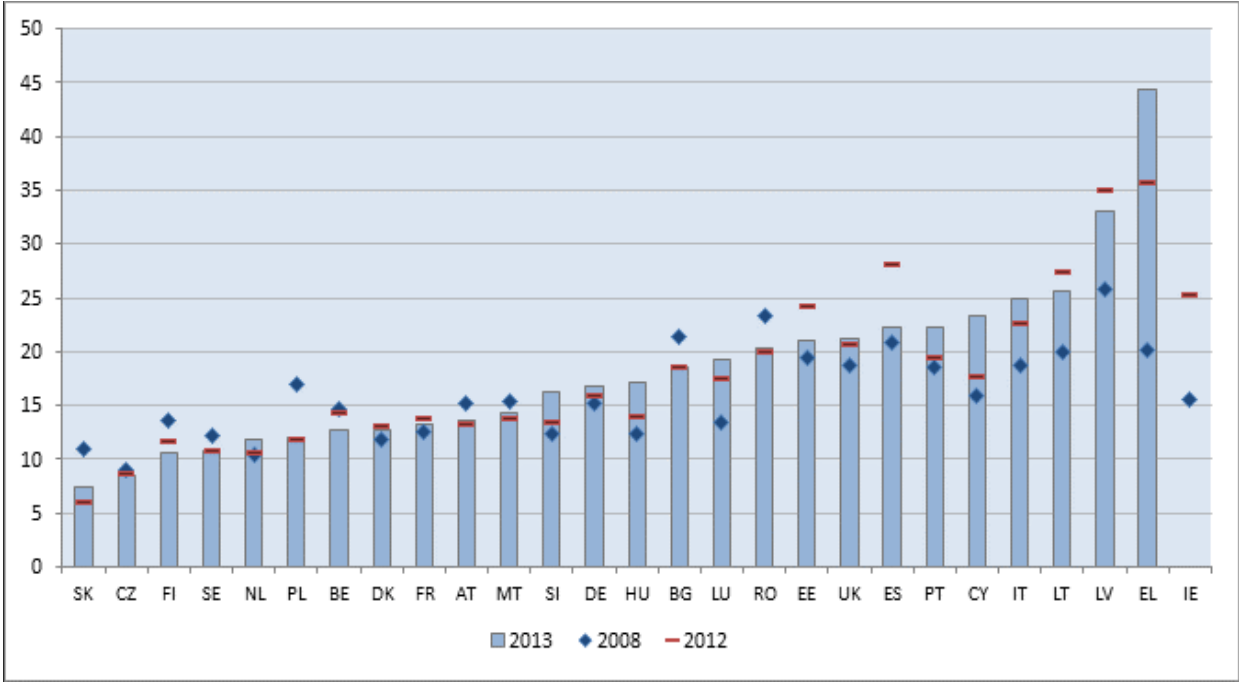
Notes: i) Latest data available for Ireland refers to 2012 and changes are presented for the period 2008-2012 only; ii) Major break in series in 2013 in ES for income variables in EU-SILC, so changes are presented for the period 2008-2012 only;; iii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) The income reference year is the calendar year prior to the survey year (i.e. 2012) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey). Line colours reflect the combined movement of the threshold and AROP rate: **Green** = threshold up and rate down, **purple** = both threshold and rate up, **orange** = threshold down and rate down, **red** = threshold down and rate up) v) In this chart all changes are shown without regard to the statistical significance of the change.

As the above results highlight, in periods of sudden changes in the median income of the population, as has been the case in a number of Member States during the economic crisis, the poverty threshold can move quite substantially and impact on the real implication of evolutions of the poverty rate. A useful way to account for this is to keep the poverty threshold fixed in real terms over a longer period of time, therefore controlling for the effects of a moving poverty threshold, and reflect the evolution of the real income of the poor and the effectiveness of social inclusion policies. In the current context this method reflects better the deterioration of the real income of the poor and the lack of effectiveness of social inclusion policies.

Figure 12 shows the evolution of the at-risk-of-poverty rates anchored in 2008 poverty threshold levels. Results suggest that between 2012 and 2013 the largest increases were observed in EL (8.5 pp), CY (5.7 pp), HU (3.2 pp), PT (2.9 pp) and SI (2.7 pp) while the three Baltic States reported the largest decreases (EE (-3.2 pp), LV (-2.0 pp) and LT (-1.7 pp)). Looking at the longer timeframe 2008-2013, and with reference to the beginning of the crisis and keeping the poverty threshold at the 2008 value, EL has clearly seen the largest increase in its anchored poverty rate (24.2 pp), followed by CY (7.4 pp), LV (7.1 pp), IT (6.3 pp), LU (5.9 pp) and LT (5.7pp), while the rate in IE increased by 9.8 pp between 2008 and 2012. The biggest improvements were observed in PL and SK, with a decrease of 4.9 pp and 3.5 pp, respectively, while BG, FI and RO also saw declines of the order of 3 pp.

In absolute terms, 18.3 % of the population in the EU-28 in 2013 were at-risk-of-poverty anchored at 2008 poverty threshold levels, which is 1.6 pp higher than the ordinary rate of 16.7 %. Similarly for the Euro Area the rate is slightly higher at 19.0 % versus 16.7 % for the normal at-risk-of-poverty rate.

Figure 12. At-risk-of-poverty rate anchored in 2008 for 2008, 2012 and 2013



Source: Eurostat (EU-SILC)

Note: i) Sorted on the anchored-AROP for 2013; ii) break in series in 2013 for ES iii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) no 2013 data available for IE; v) for the at-risk-of poverty rate, the income reference year is the calendar year prior to the survey year (i.e. 2012) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).

Another issue of concern is the rise in the share of the population suffering persistent poverty. In 2012, the persistent at-risk-of-poverty rate¹¹ in the EU27 was 10.2%, up from 8.6% in 2008. Given the relatively small sample sizes currently available for this indicator it is not possible to identify many statistically significant trends at Member State level in its evolution. However, significant rises in the persistent poverty rate for the latest year of data available can be seen in AT (3.0pp), EL (3.3pp) and LT (4.8pp) Significant longer term developments are also apparent in AT and DE (both up 3.2pp), while there has been a significant reduction in EE (down 4.3pp).

Box 2. The persistent poverty risk indicator

The “at persistent risk of poverty rate” is an important indicator as it is the only EU social indicator looking at persistence. However, the small sample size on which it is based, which is due to the design of the EU-SILC instrument, leads to relatively large confidence intervals (of plus or minus 2 percentage points in most countries). The European Statistical System (ESS, consisting of Eurostat and the Member States’ National Statistical Institutes) are working on improving the reliability of the indicator. In this regard, the ESS is exploring the possibility of modifying the longitudinal component of EU-SILC by moving from a 4-year to a 6-year rotational panel. A 6-year panel would more than double the existing sample size used for calculation of the persistent poverty risk indicator, thereby improving its reliability significantly. It would also allow better analysing transitions, providing greater opportunities for developing additional longitudinal indicators.

¹¹ The indicator shows the percentage of the population whose equivalised disposable income was below the ‘at-risk-of-poverty threshold’ for the current year and at least 2 out of the preceding 3 years

Figure 13. Persistent at-risk-of-poverty rate, evolution in pp, 2011-2012 and 2008-12

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013*	10.2	10.2	10.1	9.9	12.9	4.1	5.1	10.4	9.3	:	13.8	11.6	7.0	:	13.1	
2012-2013* change in pp	~	~	~	~	~	~	~	~	~	n.a.	3.3	~	n.a.	n.a.	~	
2008-2013* change in pp	n.a.	~	~	0.9	n.a.	~	~	3.2	-4.3	n.a.	~	~	n.a.	n.a.	~	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013*	8.3	12.6	12.3	7.1	8.0	8.5	5.8	8.8	10.7	11.4	18.2	7.5	8.6	7.0	:	8.6
2012-2013* change in pp	~	~	4.8	~	~	~	~	3.0	~	~	~	~	~	~	n.a.	~
2008-2013* change in pp	~	~	~	~	~	~	~	3.2	~	~	n.a.	~	~	~	n.a.	n.a.

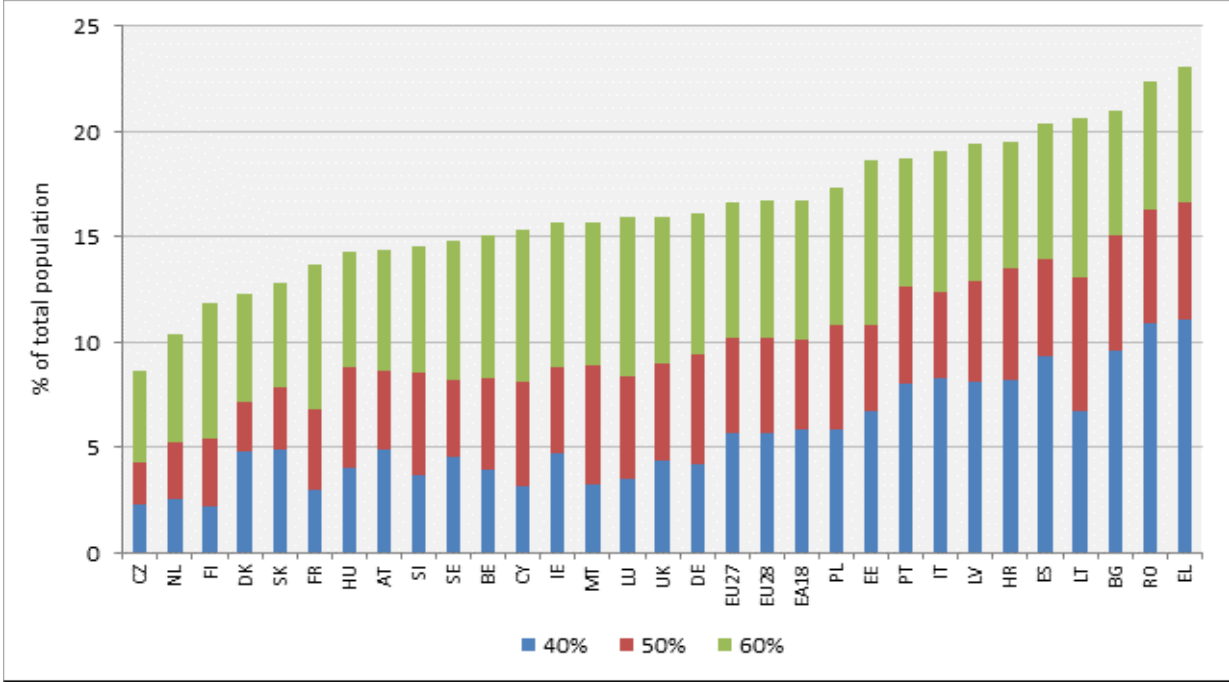
Source: Eurostat (EU-SILC)

Note: i) *Most figures are for the year 2012 (and hence most longer term changes refer to 2008-2012), but where figures for 2013 are available (AT, CZ, DK, EE, FI, HU, MT and SI) these are included ii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iii) no data for IE, FR, HR or SE; iii) the income reference year is the calendar year prior to the survey year except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).

Deterioration in living standards and increasing depth of poverty are becoming a very tangible consequence of the economic crisis in some countries

Looking at the relative poverty rate set with other thresholds (40%, 50% of equivalised median income) can give further information on the shape of the distribution around the 60% threshold and allows to see what share of the population living below the 60% poverty threshold actually finds itself in the very bottom of the income distribution. When many incomes are concentrated around the threshold, the exact level of the threshold can have a considerable impact on the at-risk-of-poverty rate. Looking at 2013 data (Figure 14), we can see that overall for countries with equal levels of poverty risk at the 60% threshold, the share of people at the very bottom, i.e. below the 40% threshold is quite similar. The only notable exception is DK whose share of people at the very bottom (below 40%) is twice as high as that of FI while they share very similar poverty risk rates. The overall ranking of countries does not change substantially with the exception of FR, LU and LT which see their positions improve as they have a stronger concentration of people around the 60% threshold.

Figure 14. At-risk-of-poverty rate at different threshold levels (40%, 50% and 60% of median equivalised income), 2013



Source: Eurostat (EU-SILC)

Note: i) sorted on the AROP rate with a 60% threshold ii) Latest data available for Ireland refers to 2012. iii) For the at-risk-of poverty rate, the income reference year is the calendar year prior to the survey year (i.e. 2012) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).

It is interesting to look at the evolution of the poverty rate at the different threshold-levels as this gives an indication as to where the major changes have occurred – more people slipping into more severe forms of poverty or rather more people concentrating at the 60% poverty threshold level. Table 4 below shows the evolution in the short-term (2012-2013) and long-term (2008-2013) highlighting only changes of magnitude greater than 1pp. For several of the countries the long-term changes observed have been more or less of similar magnitude regardless of the threshold level used, including those countries where changes were not significant across the range of thresholds and SK. For EL, IE, IT and PT it is notable that there is a more pronounced rise in the share in the most severe poverty category. For LU and SE, it is more a case of changes reflecting people concentrating more around the 60% threshold.

Table 4. Evolution (in pp) of the at-risk-of-poverty rate at different poverty threshold levels (40%, 50%, 60%), 2012-2013 and 2008-2013

	pp change 2008-2013			pp change 2012-2013		
	40%	50%	60%	40%	50%	60%
EU28	n.a	n.a	n.a	~	~	~
EU27	~	~	~	~	~	~
EA18	~	~	~	~	~	~
BE	~	~	~	~	~	~
BG	1.2	~	~	~	~	~
CZ	~	~	~	~	~	-1.0
DK	1.2	~	~	~	~	~
DE	~	~	~	~	~	~
EE	1.2	~	~	~	~	~
IE	2.1	~	~	n.a	n.a	n.a
EL	4.4	3.9	3.0	~	~	~
ES	n.a	n.a	n.a	n.a	n.a	n.a
FR	~	1.1	1.2	~	~	~
HR	n.a	n.a	2.2	~	~	~
IT	1.6	~	~	~	~	~
CY	~	~	~	~	~	~
LV	-2.6	-5.8	-6.5	~	~	~
LT	~	~	~	~	1.8	2.0
LU	1.0	1.8	2.5	~	1.3	~
HU	1.2	2.4	1.9	~	~	~
MT	-1.2	~	~	~	1.5	~
NL	~	~	~	~	~	~
AT	~	~	~	~	~	~
PL	~	~	~	~	~	~
PT	2.3	~	~	1.5	1.2	~
RO	~	~	-1.0	~	~	~
SI	~	1.7	2.2	~	1.1	1.0
SK	1.8	2.1	1.9	~	~	~
FI	~	-1.1	-1.8	~	~	-1.4
SE	1.1	1.7	2.6	~	~	~
UK	-1.3	-2.3	-2.8	~	~	~

Source: Eurostat (EU-SILC)

Note: i) For ES there is a major break in series in 2013. ii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iii) LV shows positive developments but the value of the poverty threshold for the period 2008-2013 has decreased substantially so these need to be taken with caution.

The poverty gap is another way of looking at the depth of poverty, indicating the extent to which the incomes of those at risk of poverty fall below the poverty threshold on average. In policy terms, it indicates the scale of transfers which would be necessary to bring the incomes of those concerned up to the poverty threshold. The poverty gap in the EU27 in 2013 was 23.8% lower than the at-risk-of-poverty threshold. This has expanded by 2.0 pp since 2008, although broadly remaining stable since 2012. In 2013, the poverty gap in the EU27 countries varied between 15% (in FI) to over 30% (BG, EL, ES and RO). It is especially concerning that the poverty gap has increased in two-thirds of all Member States since 2008, and in some countries quite substantially so (by around 4 pp or more in BG, PT, HU, IT, DK, SK, ES and EL) (Figure 15).

The increasing depth of poverty was identified as a social trend to watch in 2013 by the SPC as more than 1/3 of Member States had statistically significant increases in their poverty gaps. Chapter 3 of this report analyses in-depth both the characteristics of the population that is found in this situation as well as the policy instruments put in place in Member States to address it.

Figure 15. Relative median at-risk-of-poverty gap, evolution in pp, 2012-2013 and 2008-13

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013	23.8	23.8	24.0	19.2	30.9	16.6	23.7	20.4	21.5	19.1	32.7	30.9	16.6	28.1	28.0	
2012-2013 change in pp	~	~	~	~	~	-2.5	~	~	-2.3	n.a.	2.8	n.a.	~	-2.9	2.6	
2008-2013 change in pp	n.a.	2.0	2.8	2.0	3.9	-1.9	5.7	-1.8	1.2	1.4	8.0	7.0	2.1	3.1	5.0	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013	17.7	27.5	24.8	17.5	21.7	19.1	16.5	21.3	22.6	27.3	32.6	20.4	24.1	15.0	19.8	19.6
2012-2013 change in pp	-1.3	-1.1	2.2	2.5	~	3.0	~	1.2	~	3.2	1.7	1.3	3.6	~	~	-1.3
2008-2013 change in pp	2.4	-1.1	~	~	4.4	-1.2	1.6	1.4	2.0	4.1	~	1.1	6.0	~	1.8	-1.4

Source: Eurostat (EU-SILC)

Notes: i) Latest data available for Ireland refers to 2012 and changes are presented for the period 2008-2012 only; ii) Major break in series in 2013 in ES for income variables in EU-SILC, so no latest year changes are shown while longer term changes are presented for the period 2008-2012 only; iii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) Only statistically significant changes have been marked in green/red (positive/negative changes). For the change 2012-2013, Eurostat computations of significance of net change. For the change 2008-2013, a 1pp threshold has been used. "~" refers to stable performance (i.e. statistically insignificant change). iii) For the at-risk-of-poverty rate, the income reference year is the calendar year prior to the survey year (i.e. 2012) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).

After the evidence presented in the previous sections, it comes as no surprise that we observe substantial increases in the severe material deprivation rates in some Member States and clear signs of worsening living standards not only in countries with historically high rates. Figure 16 shows the evolution of the severe material deprivation rate both with respect to 2008 and for the latest yearly change 2012-2013. In the period 2012-2013, 8 Member States saw statistically significant increases in the share of their population living in severe material deprivation (with the highest increases in PT (2.3pp), CY (1.1 pp) and DK (1.0 pp)). However, the overall picture was more balanced than in the preceding years since there were also 11 Member States that recorded a statistically significant reduction in severe material deprivation, with particularly notable improvements in the Baltic States (LT (-3.8 pp), EE (-1.8 pp), and LV (-1.6 pp)) as well as IT (-2.1 pp) and PL (-1.6 pp). Nevertheless, as illustrated in Figure 17, the longer term trend remains mainly negative overall, with the rate of severe material deprivation having increased since 2008 in more than half of Member States. The countries seeing the worst increases – EL (9.1 pp), HU (8.9 pp) and CY (7.0 pp), but also IT, LV, IE, LT and MT – are among those most affected by the economic crisis, although LV and LT have experienced a very sharp improvement in the situation over the last year or two. PL and RO are the countries with the most important improvements since 2008.

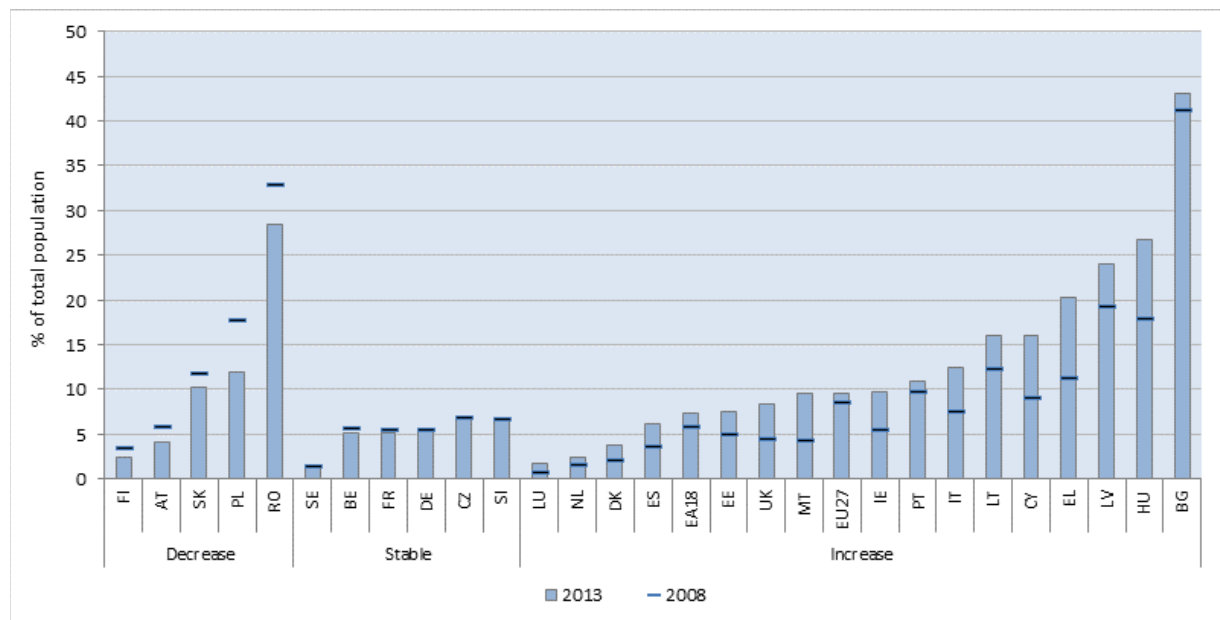
Figure 16. Severe material deprivation rate, evolution in pp, 2012-2013 and 2008-13

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013	9.6	9.6	7.4	5.1	43.0	6.6	3.8	5.4	7.6	9.8	20.3	6.2	5.1	14.7	12.4	
2012-2013 change in pp	~	~	~	-1.2	-1.1	~	1.0	0.5	-1.8	n.a.	0.8	~	-0.2	-1.2	-2.1	
2008-2013 change in pp	n.a.	1.1	1.5	~	1.8	~	1.8	~	2.7	4.3	9.1	2.6	~	~	4.9	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013	16.1	24.0	16.0	1.8	26.8	9.5	2.5	4.2	11.9	10.9	28.5	6.7	10.2	2.5	1.4	8.3
2012-2013 change in pp	1.1	-1.6	-3.8	0.5	~	~	0.2	~	-1.6	2.3	-1.4	~	~	-0.4	~	0.5
2008-2013 change in pp	7.0	4.7	3.7	1.1	8.9	5.2	1.0	-1.7	-5.8	1.2	-4.4	~	-1.6	-1.0	~	3.8

Source: Eurostat (EU-SILC)

Notes: i) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious;; ii) Latest data available for Ireland refers to 2012 and changes are presented for the period 2008-2012 only; iii) Only statistically significant changes have been marked in green/red (positive/negative changes). For the change 2012-2013, Eurostat computations of significance of net change. For the change 2008-2013, a 1pp threshold has been used. "~" refers to stable performance (i.e. statistically insignificant change).

Figure 17. Longer term developments in the severe material deprivation rate, 2008-2013

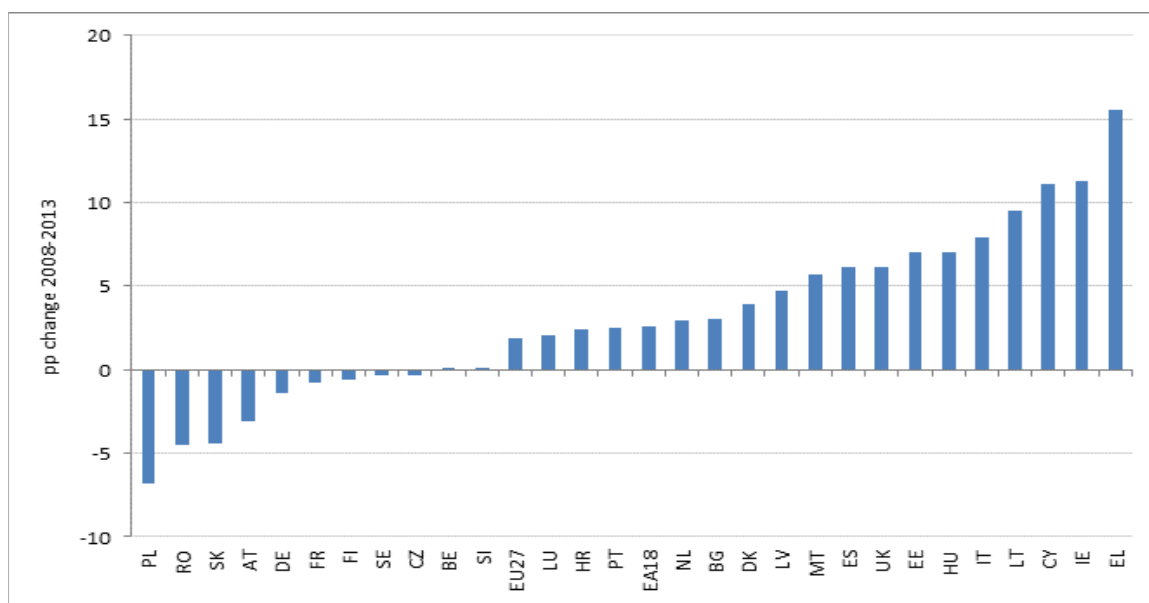


Source: Eurostat (EU-SILC)

Notes: i) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious;; ii) no 2013 data for IE, so longer term evolution refers to the period 2008-2012; iii) For the change 2008-2013, a 1pp threshold has been used to determine whether changes are statistically significant, with "stable performance" referring to statistically insignificant change.

If one looks at the "standard" material deprivation rate (defined as the percentage of the population with an enforced lack of at least three out of nine material deprivation items in the 'economic strain and durables' dimension), the general pattern of changes across Member States since 2008 is broadly similar to that for the severe material deprivation rate with a few notable exceptions - the relative decline in living standards is more pronounced compared to other Member States with regard to this measure than for severe material deprivation in IE (second largest rise in the material deprivation rate) and LT, and less pronounced in LV and MT. The largest rises in material deprivation since 2008 are observed in CY, EL and IE, with increases in excess of 10 pp, while AT, PL, RO and SK have seen significant declines.

Figure 18. Changes in the "standard" (enforced lack of at least 3 items) material deprivation rate, 2008-2013



Source: Eurostat (EU-SILC)

Notes: i) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious;; ii) no 2013 data for IE, so longer term evolution refers to the period 2008-2012; iii) the "standard" material deprivation rate is defined as the percentage of the population with an enforced lack of at least three out of nine material deprivation items in the 'economic strain and durables' dimension.

The deterioration in living standards is also clearly evident when examining the real change in gross household disposable income across the EU. Among those Member States for which figures are available, 11 have seen a decline in real household income between 2012 and 2013, in contrast to 6 where it has risen. Among the former, most notable is the close to 9% drop in EL, while among the latter, the improvements in LV and LT stand out (increases of 9.4% and 4.8% respectively). In a longer term perspective, however, real incomes have fallen markedly in many Member States since the crisis hit, with particularly strong falls in household income in ES (-6.3%), IT (-9.0%), LV (-14.6%), LT (-6.2%), PT (-6.6%) and above all EL (-31.9%).

Figure 19. Real change in gross household disposable income 2012-2013 and 2008-2013

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2012-2013 % change	-0.2	n.a.	-0.2	-0.2	n.a.	-2.3	-1.8	0.6	n.a.	n.a.	-8.7	0.2	~	n.a.	-1.3	
2008-2013 % change	-0.1	n.a.	-2.3	0.7	n.a.	-3.1	2.5	3.4	n.a.	n.a.	-31.9	-6.3	2.4	n.a.	-9.0	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2012-2013 % change	n.a.	9.4	4.8	n.a.	0.3	n.a.	-1.0	-1.9	n.a.	-0.7	n.a.	-1.2	1.9	-0.5	n.a.	-0.2
2008-2013 % change	n.a.	-14.6	-6.2	n.a.	-5.5	n.a.	-3.1	-1.6	n.a.	-6.6	n.a.	-5.8	1.7	3.7	n.a.	2.5

Source: DG EMPL estimates based on Eurostat (National Accounts)

Notes: i) Data only available for 18 countries based on the ESA2010 national accounts revision. ii) Growth for the EU28 in real terms is estimated from existing Member States' data which must cover at least 85% of the EU nominal GDHI, iii) Any positive or negative change is highlighted given that the data source is national accounts.

Long-term exclusion from the labour market continues to be a main driver of increasing trends in poverty and social exclusion

The rises in unemployment and long-term unemployment have been some of the more immediate and tangible impacts of the economic crisis. The share of (quasi-) jobless households increased in 11 countries in 2013, most noticeably in the southern Member States most affected by the crisis (EL, ES, CY, PT) but also in DK and SE. EL registered the largest increase between 2012 and 2013 with a rise of 4 pp. Only 5 countries registered a significant reduction (EE, FR, HR, LV and RO) (Figure 20). With reference to 2008, 2/3 of Member States have statistically significant increases in their share and for 1/3 of them the increase is around 5pp or more – BG, EL, ES, IE, LV, LT and PT.

Figure 20. Evolution of the share of people living in (quasi-) jobless households, 2012-2013 and 2008-2013

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013	10.7	10.6	10.9	14.0	13.0	6.9	12.9	9.9	8.4	23.4	18.2	15.7	7.9	14.8	11.0	
2012-2013 change in pp	~	~	~	~	~	~	1.6	~	-0.7	n.a.	4.0	1.4	-0.5	-2.0	0.7	
2008-2013 change in pp	n.a.	1.5	1.7	2.3	4.9	~	4.4	-1.8	3.1	9.7	10.7	9.1	~	n.a.	1.2	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013	7.9	10.0	11.0	6.6	12.6	9.0	9.3	7.8	7.2	12.2	6.4	8.0	7.6	9.0	7.1	13.2
2012-2013 change in pp	1.4	-1.7	~	0.5	~	~	0.4	~	~	2.1	-1.0	0.5	~	~	1.4	0.2
2008-2013 change in pp	3.4	4.6	5.9	1.9	~	~	1.1	~	~	5.9	-1.9	1.3	2.4	1.5	1.6	2.8

Source: Eurostat (EU-SILC)

Notes: i) Latest data available for Ireland refers to 2012 and changes are presented for the period 2008-2012 only; ii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iii) Only statistically significant changes have been marked in green/red (positive/negative changes) while "~" refers to stable performance (i.e. statistically insignificant change). For the change 2012-2013, Eurostat computations of significance of net change have been used. For the change 2008-2013, a 1pp threshold has been used. iv) The (quasi-) jobless households rate refers to the previous calendar year (i.e. 2011).

Unemployment has worrisome social costs – greater probabilities of lower life-satisfaction, poorer health, a greater sense of disillusionment with society and a far more pessimistic assessment of labour market prospects. The important point about all these identified social effects is that, once established, they become increasingly difficult to eradicate (Saunders, 2002). In addition, past experiences of recessions in the EU and other parts of the world show that long-term unemployment continues to rise after total unemployment has peaked, and takes a long time before it starts to decline. For instance, during the 1990's, while overall unemployment in the EU had already started to decline in 1995 (following the increases during the period 1991-94) the number of long-term unemployed decreased only from 1998.

Long-term labour market exclusion was identified as a social trend to watch in 2013 by the SPC as more than 1/3 of Member States had statistically significant increases in their shares of the population experiencing this. Chapter 3 of this report analyses in-depth both the characteristics of the population that is found in this situation as well as the policy instruments put in place in Member States to address it.

One of the most significant challenges for social policy over the coming years will involve far more than lowering total unemployment back to its former levels, because this in itself will not unwind the cumulative long-term social effects that accompany the rise in unemployment. In some countries, increasing numbers of people are moving onto long-term sickness and disability benefits or early retirement schemes. Among these people, many are likely never to enter or return to the labour market. Moreover, workers in some sectors/occupations (such as in the construction sector, where the incidence of long-term unemployment was previously limited), experienced a double disadvantage: higher probability of becoming unemployed, and if unemployed, higher chance of becoming long-term unemployed. This underlines the role of job creation policies, especially in growing sectors, to ensure new places for both the short-term and long-term unemployed as well as of activation measures focusing on re-training in order to adapt workers' skills to the new needs of the labour market. Furthermore, there is need for early identification of short-term unemployed with an increased risk of slipping into long-term unemployment and subsequent provision of additional interventions, such as personal counselling and tailored activation programmes including re-training and up-skilling. Even though such targeted interventions tend to be more costly in the short run, their longer-term individual and societal benefits prevail, and their importance becomes pivotal at the moment when long-term unemployment threatens to leave permanent scars on significant proportions of human capital stock in many EU countries (European Commission, 2013b).

While the overall share of working poor is stable at EU level, there is strong divergence in trends across Member States

Having a job is not always a guarantee against the risk of poverty, as the working poor represent one third of working-age adults who are at-risk-of-poverty. In 2013, 8.9% of people in employment were living under the poverty threshold in the EU, little changed from the previous year, although the latest annual developments were fairly mixed across Member States. Over 2012-2013, the risk increased in 8 Member States, most notably in CY (1.0 pp), LT (1.5 pp) and HU (1.3 pp), but also in DE and LU (both up 0.9 pp). In contrast, improvements were recorded in 7 Member States, among which DK (-1.4 pp), EL (-2.1 pp) and RO (-1.2 pp) showed the strongest reductions. Despite recent improvement in some cases, the highest rates are still observed in RO (17.7%), mostly driven by the high poverty risk for the self-employed, EL (13.0%) and LU (11.2%), with rates also above 10% in ES, IT, PL and PT.

In-work poverty was previously identified as a social trend to watch in 2012 by the SPC (SPC, 2012) and a detailed analysis of the situation in Member States and the policy measures implemented across Member States to combat it was presented in last year's annual report (SPC, 2013).

Figure 21. Evolution of the share of working poor, 2012-2013 and 2008-2013

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013	8.9	9.0	8.7	4.4	7.2	4.1	4.3	8.6	7.7	5.4	13.0	10.6	8.0	6.2	10.7	
2012-2013 change in pp	~	~	~	-0.1	~	-0.5	-1.4	0.9	-0.8	n.a.	-2.1	n.a.	~	~	~	
2008-2013 change in pp	n.a.	~	~	~	~	~	~	1.5	~	~	-1.2	1.2	1.5	n.a.	1.7	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013	9.0	9.1	9.2	11.2	6.6	5.9	4.5	7.9	10.8	10.4	17.7	7.1	5.8	3.8	7.1	8.2
2012-2013 change in pp	1.0	~	1.5	0.9	1.3	0.7	~	~	~	0.5	-1.2	0.6	~	~	~	-0.5
2008-2013 change in pp	2.7	-1.6	~	1.8	~	~	~	~	~	~	2.0	~	-1.3	~	~	~

Source: Eurostat (EU-SILC)

Notes: i) Latest data available for Ireland refers to 2012 and changes are presented for the period 2008-2012 only; ii) Major break in series in 2013 in ES for income variables in EU-SILC, so no latest year changes are shown while longer term changes are presented for the period 2008-2012 only; iii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) Only statistically significant changes have been marked in green/red (positive/negative changes). For the change 2012-2013, Eurostat computations of significance of net change. For the change 2008-2013, a 1pp threshold has been used. "~" refers to stable performance (i.e. statistically insignificant change). iii) For the at-risk-of-poverty rate, the income reference year is the calendar year prior to the survey year (i.e. 2012) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).

The situation regarding child poverty and youth exclusion is a major concern

As highlighted in the previous sections, long-term exclusion from the labour market continues to be one of the main drivers in the deterioration of income and living standards, alongside the phasing out the automatic stabilisation instruments of social protection systems in the face of the prolonged economic downturn, and persistent levels of in-work poverty. This is particularly important when discussing the situation of children as unemployment, low work intensity of parents and low earnings, in some countries coupled with low access to services and the weak impact of income support measures, are among the main factors leading to child poverty and social exclusion.

Box 3. Peer review on local consultation platforms to fight child poverty

In May 2014 Belgium launched the pilot project “Children First” to offer a more specific response to the European Commission’s Recommendation on Investing in children (European Commission (2013a), which recommends that Member States strengthen coordination between the different actors involved; streamline their policies in all relevant areas; and promote stakeholder participation and exchange of best practices. The programme supports the Public Centres for Social Welfare (PCSW) in playing a leading role in the fight against childhood poverty through the launch of local consultation platforms. The aim is to detect hidden childhood poverty and to promote child well-being. The local consultation platforms are expected to assume one or more of the following tasks: i) to sensitise local actors about poverty and inform them of the existing aid channels, ii) to provide general support to local actors through social workers, and iii) to offer concrete support including collective and individual level support. The target group includes children aged 12 and under, in or at risk of poverty. Special attention is paid to early childhood.

The related Peer Review, held in Brussels on 13-14 January 2015, discussed ways of ensuring and enhancing cooperation between various services and actors involved in the fight against child poverty, the role of early childhood education and care institutions, monitoring and evaluation of related projects and initiatives, and the best way to involve stakeholders in the process.

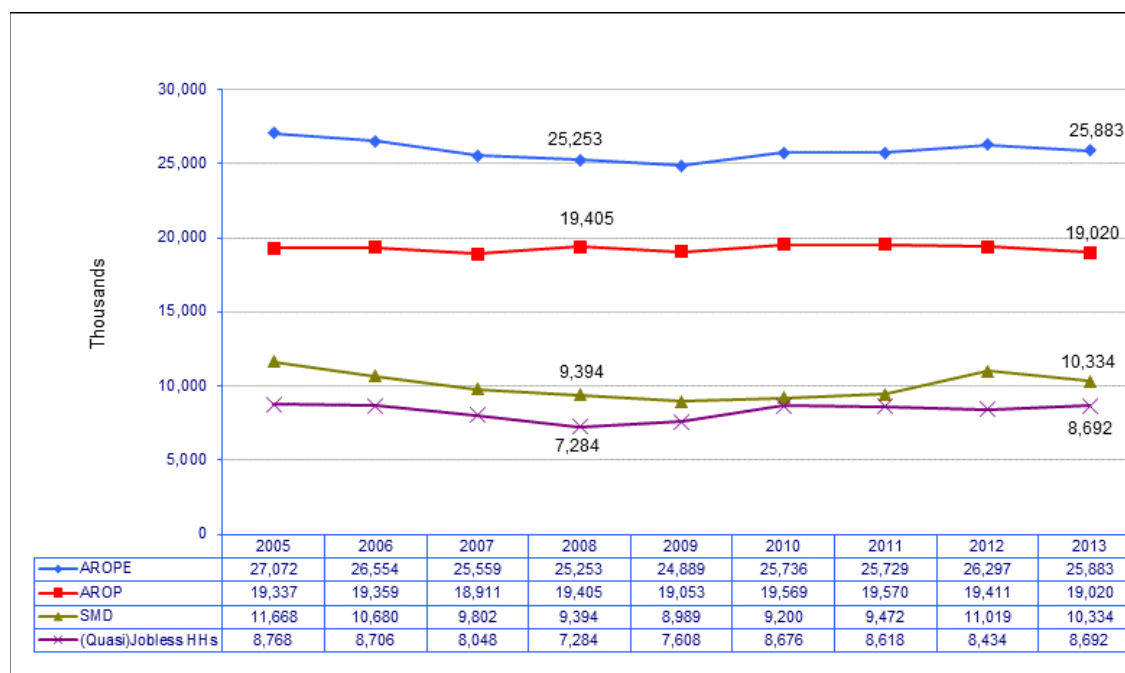
The Belgian Children First programme has the potential to significantly contribute to the goals of Europe 2020 and the Social Investment Package. First, it seeks to prevent the intergenerational transmission of poverty. Second, it has a focus on early intervention and prevention which are essential for developing effective and efficient policies. Furthermore, through bringing together actors from different policy levels and sectors, the consultation platforms have the potential both to strengthen synergies between different fields/sectors and to promote cooperation between public authorities, local communities and civil society organisations.

For further details consult the following link:

<http://ec.europa.eu/social/main.jsp?catId=1024&langId=en&newsId=2100&furtherNews=yes>

There were 26.1 million children in the EU-28 (25.9 in the EU-27) living in poverty or social exclusion in 2013, accounting for around 1/5 of all people living in poverty or social exclusion. The situation of children has been strongly affected by the economic crisis and until 2012 had been generally worsening in the EU, mainly reflecting rises in severe material deprivation among children and in the number of children living in (quasi)jobless households.

Figure 22: Evolution in child poverty and social exclusion and its components in the EU-27



Source: Eurostat (EU-SILC)

Note: Figures are in 1000s. AROPE – at risk of poverty or social exclusion rate; AROP - at-risk-of-poverty rate; (quasi)-Jobless households - share of population living in (quasi-)jobless (i.e. very low work intensity) households; SMD - severe material deprivation rate. For the at-risk-of poverty rate, the income reference year is the calendar year prior to the survey year (i.e. 2012) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey). Similarly, the (quasi-)jobless household (i.e. very low work intensity) rate refers to the previous calendar year (i.e. 2012) while for the severe material deprivation rate, the reference is the current survey year (i.e. 2013).

However, in 2013 the situation stabilised somewhat at EU level, with 8 Member States registering statistically significant reductions in the poverty or social exclusion rate for children compared to the year before, most notably HR (-5.5 pp), RO (-3.7 pp) and CZ (-2.4 pp) as well as FI, FR and IT

(all with declines of 1.9 pp). Nevertheless, 5 Member States saw a continued worsening in the situation for children, for some with very sharp increases of around 3pp or more – PT (3.8 pp), LT (3.5 pp) and EL (2.7 pp). The situation with respect to the longer term trend remains alarming, with 2/3 of Member States seeing significant increases in the rate of child poverty or social exclusion between 2008 and 2013. In a number of countries, these longer term increases are in the range of 6-10 pp (HU (9.6pp), EL (9.4 pp), BG (7.3 pp), MT (7.0 pp), IE (6.5 pp to 2012), CY (6.2 pp), and LV and LT both 6.0 pp), while only four Member States (CZ, FI, PL and RO) recorded a significant decrease in their child poverty or social exclusion rates (Figure 23). Levels of child poverty of the order of 40% in EL, HU and LV, and around 50% in BG and RO in 2013 are of particular concern.

Figure 23. Evolution of the share of children (0-17) at risk of poverty or social exclusion, 2012-2013 and 2008-2013

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013	27.6	27.6	25.0	21.9	51.5	16.4	15.5	19.4	22.3	33.1	38.1	32.6	21.3	29.3	31.9	
2012-2013 change in pp	~	~	~	-0.9	~	-2.4	~	~	~	n.a.	2.7	n.a.	-1.9	-5.5	-1.9	
2008-2013 change in pp	n.a.	1.0	1.2	~	7.3	-2.2	2.8	~	2.9	6.5	9.4	3.2	~	n.a.	2.8	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013	27.7	38.4	35.4	26.0	43.0	32.0	17.0	22.9	29.8	31.6	48.5	17.5	25.5	13.0	16.2	32.6
2012-2013 change in pp	~	-1.6	3.5	~	~	~	~	~	~	3.8	-3.7	1.1	~	-1.9	~	1.4
2008-2013 change in pp	6.2	6.0	6.0	5.1	9.6	7.0	1.5	~	-3.1	2.1	-2.7	2.2	1.2	-2.1	1.6	3.0

Source: Eurostat (EU-SILC);

Notes: i) Latest data available for Ireland refers to 2012 and changes are presented for the period 2008-2012 only; ii) Major break in series in 2013 in ES for income variables in EU-SILC, so no latest year changes are shown while longer term changes are presented for the period 2008-2012 only; iii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) Only statistically significant changes have been marked in green/red (positive/negative changes), using Eurostat computations of significance of net change "~" refers to stable performance (i.e. statistically insignificant change). v) For the at-risk-of poverty rate, the income reference year is the calendar year prior to the survey year (i.e. 2012) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey). Similarly, the (quasi-)jobless households (i.e. very low work intensity) rate refers to the previous calendar year (i.e. 2012) while for the severe material deprivation rate, the reference is the current survey year (i.e. 2013).

Box 4. Peer review on innovative practices with marginalised families to prevent out of home child placement

The 2013 Commission Recommendation on Investing in Children guides Member States to organise and implement policies to address child poverty and social exclusion and promote children's well-being, through measures grounded in multi-dimensional strategies and recognition of children's rights and best interests. The Programme to prevent institutionalisation (P.I.P.P.I.), which was subject to a Peer Review held in Italy on 11-12 December 2014, provides an innovative example of how to address the 2013 Recommendation.

The P.I.P.P.I. is a holistic research-training intervention for vulnerable families and professionals working with them, with the primary goal to prevent out of home child placement. The core activities are oriented to improving parenting skills, promoting full involvement in children's school life and strengthening social networks. The construction of an integrated and common assessment and care plan is core to the programme. This is done on an inclusive and participatory basis in the sense that all the relevant actors (parents, children, teachers, practitioners, other relatives, and all people involved in the promotion of the child's wellbeing) are part of the continual assessment and child plan.

The Peer Review had a number of thematic foci: family support, parenting support and child protection. It also discussed the necessity for interventions with marginalised families to be multi-faceted and integrated, the role of research and evidence gathering in planning and provision and how those who are in need of interventions can be engaged with. The child-centred nature and the build-up of local knowledge/bottom-up basis of the P.I.P.P.I. were praised by the Peer Review participants. Further interesting elements of the Italian case study include the strong theoretical and holistic basis, the mobilisation of a multi-disciplinary team around the child, the mix of activities (individual and group, formal and informal), the focus on assessment, care planning and evaluation and the partnership way that this is done, the tailoring to families, the close collaboration between academia and service providers and the networking component which is core to the P.I.P.P.I.

For further details consult the following link:

<http://ec.europa.eu/social/main.jsp?catId=1024&langId=en&newsId=2133&furtherNews=yes>

While the worrisome levels of child poverty and what they imply in terms of human capital development pose an important question for the longer-term future of European countries, the disproportionate ways in which the recent economic crisis has affected youth is an important alarm bell for the very short-term. The gloomy outlook for the young implies growing risks of long-term unemployment and lasting inactivity, and remaining outside the labour market has far reaching consequences – not solely economic. These include a loss of confidence, an undermining of trust and expectations, and an increasing risk of social exclusion and disengagement from society. The labour market situation of young people and their exclusion from social security rights is therefore an increasingly urgent matter of utmost priority.

A recent report by the European Foundation for the Improvement of Living and Working Conditions (Eurofound (2014a)) provides an up-to-date overview of the situation of young people aged 18 to 29 years in Europe, based on findings from the European Quality of Life Survey. It concentrates in particular on their social situation, especially dimensions such as living arrangements, social exclusion, relationships and sources of support, and participation in society and social and cultural activities. Among the main findings are that:

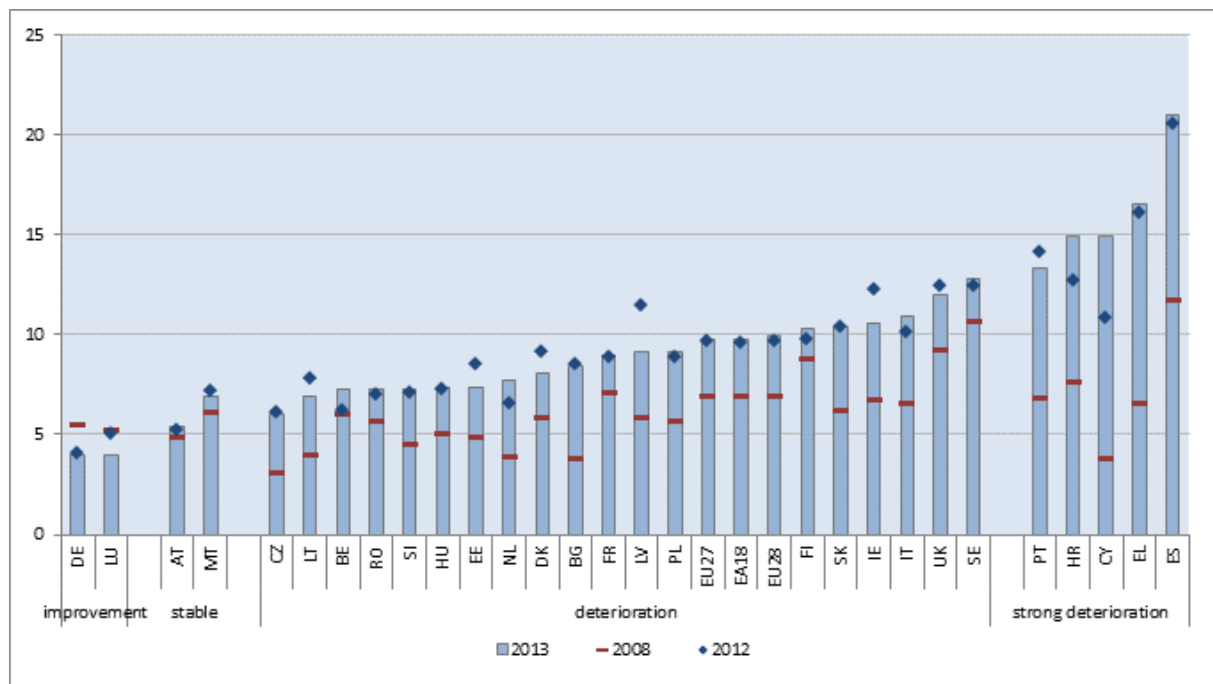
- Unemployed and inactive young people give a comparatively low rating for their subjective well-being;
- Deprivation has increased for young people of all social backgrounds since 2007 in nearly all EU countries, especially for those who are living in extended families with their parents and their own children; such people are likely to be unable to move out of the family home;
- Unemployed and inactive young people are more likely than others to feel socially excluded, to feel lonely, to face a lack of social support, and to have lower levels of mental well-being;
- Young people are less likely to trust institutions now (in 2014) than they did in 2007 – with the exception of the police, whom they trust as much as before;
- Young people are more likely than older people to perceive tensions between ethnic or religious groups, as well as between groups of different sexual orientation.

In view of these findings, the report highlights that one focus of policy should be on boosting social and democratic participation, personal development, and the sense of belonging to society.

In 2013 the youth unemployment ratio¹² remained rather stable compared to the previous year. The vast majority of Member States recorded no significant change in the ratio, while only 4 countries recorded an increase and 5 a reduction. Of particular note among those countries with a deteriorating situation is the 4.1 pp rise in the ratio in CY. With regard to the beginning of the crisis the picture is clearly one of strong deterioration in the labour market situation of young people, with a significant increase witnessed in all but 4 Member States. The most dramatic increases (in excess of 6 pp) in the youth unemployment ratio have been observed in CY, EL, ES, HR, and PT. Improvement has been registered only in DE and LU (Figure 24).

¹² The reason for looking at both youth unemployment rates and ratios is that a use of only the unemployment rate can produce a distorted picture when comparing the youth labour markets of different countries. More precisely, one difficulty with using the unemployment rate as an indicator for the labour market performance, especially of young people, is that it shows the number of unemployed youth as a percentage of the youth labour force, i.e. those who are either employed or unemployed but actively looking for work. Using the youth labour force as a denominator can lead to distortions when comparing countries with great differences in youth activity rates or when activity rates change significantly over time. For instance, youth unemployment rates for two countries with identical numbers of youth and unemployed youth will differ if one country has a higher share of youth not available for the labour market because of, for example, a higher number of youth in education. More concretely, the country with a higher share of youth in education (or otherwise inactive) will display a higher youth unemployment rate.

Figure 24. Youth unemployment ratio (15-24), 2008, 2012 and 2013



Source: Eurostat (LFS)

Notes: The categorisation "improvement", "stable", "deterioration" and "strong deterioration" refers to improvement/deterioration between 2008 and 2013.

Analysis by the European Commission (2012a) shows that the difficult labour market situation experienced by youth during the crisis has been reflected in a rise in inactivity among young people, mostly taking the form of labour market withdrawal rather than continued enrolment in education. Moreover, the developments that have taken place since 2008 may have serious longer term consequences for the current youth generation, as the delayed transition to the labour market and frequent periods of unemployment during a person's early working life may have lasting adverse effects on future employment and wage prospects. Long-term unemployment, detachment from the labour market and education or training may also intensify, leading to poverty and social exclusion, and other social challenges.

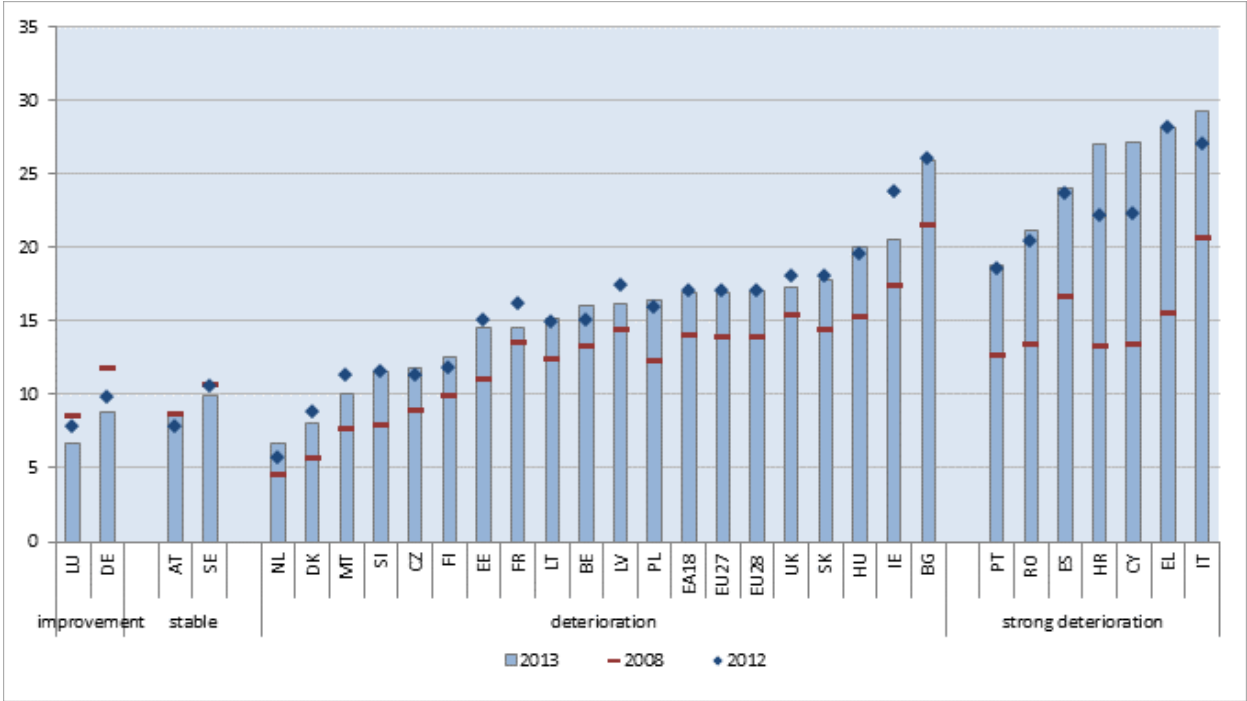
Young people are particularly vulnerable to social exclusion and poverty as they move towards an independent life away from the parental household, a key step which involves looking for work and establishing their own household. For many, however, this is far from easy. Even if they find employment, they often start with low-paid jobs, which can make sustaining a household difficult. As Ward et al (2006) highlight, the process of achieving autonomy is influenced by public policies in a number of areas including employment, education, housing and social protection, and the outcomes have important implications for society as revealed in fertility and demographic trends.

Low economic activity of youth as such should not be the main concern, given the high proportion of students among the young generation (close to 80% of the youngest age group 15-19), but

rather the proportion of young people who are neither in employment nor in education and training (NEET). The share of NEETs in the EU had been shrinking up until 2008 (when the share was 13.9%), but then grew substantially through to 2012 when it reached 17.1%. In 2013 it stabilised at EU level, with only 5 Member States recording a deterioration (but with marked rises of close to 5 pp in CY and HR) while 6 recorded an improvement (Figure 25)

The longer term picture however remains decidedly bleak, with 24 Member States having recorded significant increases in their NEET rates over the period 2008 to 2013. Particularly marked rises in NEET rates in excess of 6 pp were registered in CY, HR, EL, IT, RO, ES and PT, while only DE and LU have recorded a significant decrease. As a result of these developments, NEET rates in 2013 were over 25% in BG, CY, EL, HR and IT, and above 20% in ES, IE, HU and RO. In contrast, rates in AT, DE, DK, LU, NL and SE remained below 10%.

Figure 25. NEET (not in employment, education or training) rates (18-24), 2008, 2012 and 2013



Source: Eurostat (LFS)

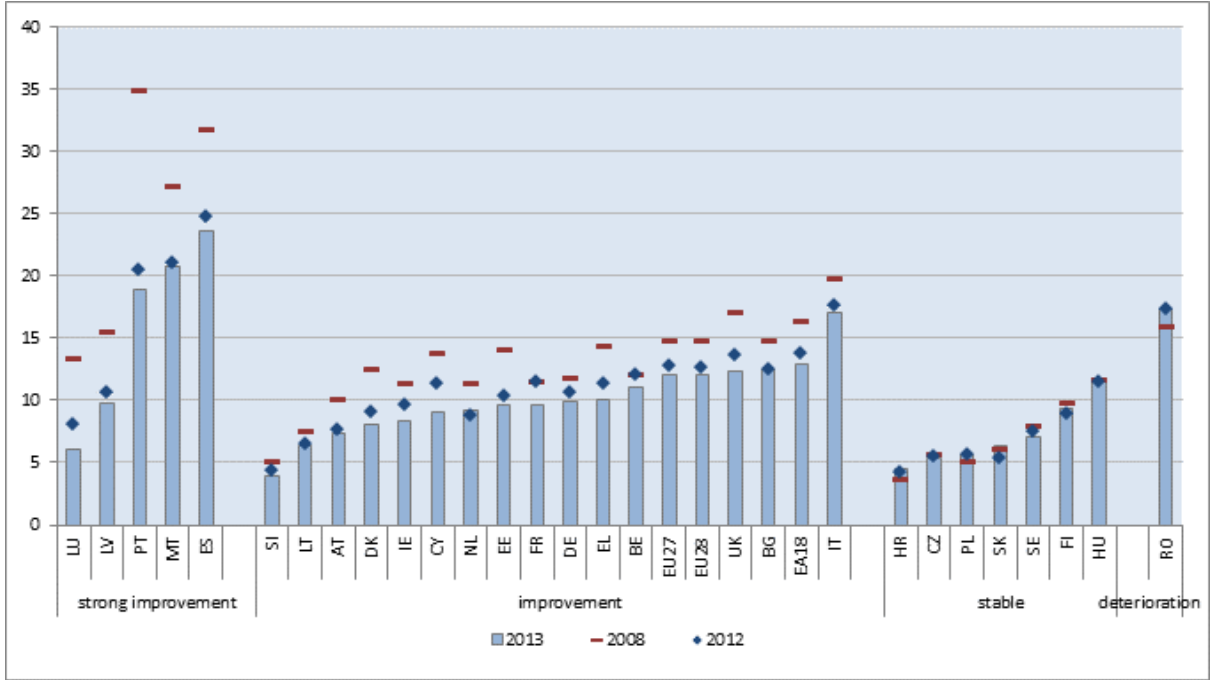
Notes: The categorisation "improvement", "stable", "deterioration" and "strong deterioration" refers to improvement/deterioration between 2008 and 2013.

Youth exclusion was identified as a social trend to watch in 2013 by the SPC as more than 1/3 of Member States had statistically significant increases in their shares of youth neither in employment nor in education and training. Chapter 3 of this report analyses in-depth both the characteristics of the population that is found in this situation as well as the policy instruments put in place in Member States to address it.

Early school leaving increases the likelihood of young people entering the labour market without adequate skills, who then may face unemployment or in-work poverty. Still, one out of every six early school leavers has completed only compulsory education or less. Across Europe, rates of early leavers from education and training range from as low as around 4-6% in CZ, HR, LU, SI and PL to as high as 23.6% in ES. Developments since 2008 have been widely positive across the EU, with reductions of more than 1pp in early school leavers rates in 20 Member States, most notably in PT (-16.0 pp), ES (-8.1 pp), LU (-7.3 pp) and MT (-6.4pp). In the latest year for which data is available, 2013, 10 Member States recorded still further improvements in early school leaver rates, as opposed to only 1 country where the rate increased (Figure 26).

School drop-out rates are much higher for children with a Roma or migrant background and also for children with special needs (Social Protection Committee (2012)). Early school leaving also shows a strong correlation with factors associated with poverty such as learning difficulties, discrimination, rejection by peers, hampered mobility, reduced school accessibility or ghettoisation.

Figure 26. Early leavers rates (in %) from education and training (18-24), 2008, 2012 and 2013



Source: Eurostat (LFS)

Notes: The categorisation "strong improvement", "improvement", "stable" and "deterioration" refers to improvement/deterioration between 2008 and 2013.

The 2012 SPC Advisory Report on “Tackling and Preventing Child Poverty, Promoting Child Well-being”¹³ and the European Commission Social Investment Package¹⁴ **highlighted the importance of following a comprehensive approach to tackle early school-leaving.** This means integrated multi-level responses linking the home, the child, the school, adult education, community and relevant services. Schools, social and employment services and parents should combine their efforts and work together to prevent early school leaving. Offering a greater variety of education and training possibilities, both formal and informal as well as after school programmes, creating permeable and flexible education pathways, forming smaller classes and preparing individualised education plans, may help reduce early school-leaving. Providing quality vocational training options, educational experimental frameworks aimed at boosting the attractiveness of schools and enhancing motivation of pupils as well as special programmes for children with specific needs are vital to combat disadvantages. Improving availability of alternative or non-formal education, raising the compulsory schooling age or making secondary schools universally accessible will improve the flexibility of education systems.

The ability of the EU to tackle the challenges related to child poverty and youth exclusion will be decisive in its capacity to guarantee a long-term future to its citizens. As pointed out by European Commission (2013b), the positive link between human capital and productivity, and therefore economic growth, has been clearly established by economic literature. It is, therefore, particularly worrying that the economic recession has had an especially strong negative impact on youth and children. More young people and children face poverty and exclusion, which imperils the development of those generations' human capital. The EU is at risk of creating a "lost generation" that might not be able to achieve its full potential in society. An insufficient level of human capital would affect individuals' employability and productivity and thereby their future earnings prospects and pension entitlements. In the context of ageing populations, younger generations would be ill-equipped to bear the expected burden of growing public finance expenditures. Such developments would also undermine the competitive advantage in the global markets that Europe derives from its highly skilled human capital and create significant barriers to long-term growth prospects. To avoid such a scenario, sufficient investment in human capital and well-being at an early age through, inter alia, provision of affordable and quality child care and education, as well as healthcare, facilitation of smooth transitions from education to work and support for career development of younger workers, is a policy imperative.

¹³ <http://ec.europa.eu/social/BlobServlet?docId=7849&langId=en>

¹⁴ <http://ec.europa.eu/social/main.jsp?catId=89&langId=en&newsId=1807&moreDocuments=yes&tableName=news>

Income inequality is growing across and within Member States

As highlighted by the 2014 Joint Employment Report¹⁵, and analysed extensively in the Employment and Social Developments in Europe 2013 report (European Commission (2013c)), the crisis has substantially altered the dynamics of inequality and affected different sections of the population in different ways. Income inequality is growing across and within many Member States, particularly in the South and in several non-Central European countries. These are also the Member States that witnessed the largest increases in unemployment. In many countries, the crisis has intensified the long-term trends of wage polarisation and labour market segmentation, which together with less redistributive tax and benefit systems have fuelled rising inequalities. High levels of unemployment, and in some cases the impact of fiscal consolidation, also explain the significant increases in inequalities observed in the countries most affected by the crisis.

A recent OECD report¹⁶ highlighted the development of income inequality during the initial part of the crisis, covering the period 2007-2010. It showed that market income (i.e. work and capital income) decreased considerably during 2007-2010, but that disposable income fell less strongly, due to an offsetting effect stemming from an increase in social transfers and/or lower direct taxes and social security contributions. However, the loss in income was not evenly shared among income groups, with the result that income inequality (as measured by the GINI coefficient) continued to edge upwards during the crisis.

An alternative measure of inequality, the income quintile ratio (S80/S20), shows that while on average inequality remained stable between 2008 and 2013 at EU level, there is a wide dispersion and growing divergence in inequality between Member States. The S80/S20 inequality ratio has increased significantly in 13 Member States compared to 2008, including in most of the Southern Member States (ES, EL, IT, CY) as well as in DK, EE, HU, HR, IE, LU, SI, SK and SE (Figure 27 and Figure 28). In contrast, significant reductions in inequality were registered in BE, FI, LV, NL, RO and the UK over the same period. The highest income inequalities are found in BG, EL, ES, LV, LT, PT and RO, where the median equivalised income of the richest 20% of the population is around 6 times or more that of the poorest 20%.

¹⁵ http://ec.europa.eu/europe2020/pdf/2014/jer2014_en.pdf

¹⁶ OECD (2013), 'Crisis squeezes income and puts pressure on inequality and poverty'

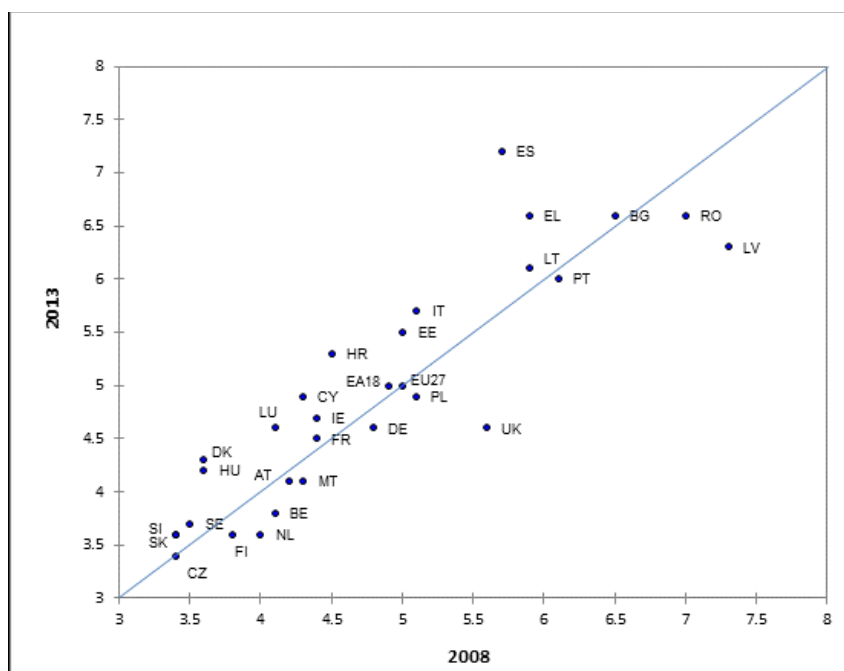
Figure 27. Income quintile ratio (S80/S20), evolution (% change) 2012-2013 and 2008-2013

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013	5.0	5.0	5.0	3.8	6.6	3.4	4.3	4.6	5.5	4.7	6.6	6.3	4.5	5.3	5.7	
2012-2013 % change	~	~	~	-5.0	8.2	~	~	7.0	~	n.a.	~	n.a.	~	~	~	
2008-2013 % change	n.a.	~	~	-7.3	~	~	19.4	~	10.0	6.8	11.9	26.3	~	17.8	11.8	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013	4.9	6.3	6.1	4.6	4.2	4.1	3.6	4.1	4.9	6.0	6.6	3.6	3.6	3.6	3.7	4.6
2012-2013 % change	~	~	15.1	12.2	5.0	5.1	~	~	~	~	~	5.9	~	~	~	-8.0
2008-2013 % change	14.0	-13.7	~	12.2	16.7	~	-10.0	~	~	~	-5.7	5.9	5.9	-5.3	5.7	-17.9

Source: Eurostat (EU-SILC)

Notes: i) Latest data available for Ireland refers to 2012 and changes are presented for the period 2008-2012 only; ii) Major break in series in 2013 in ES for income variables in EU-SILC, so no latest year changes are shown while longer term changes are presented for the period 2008-2012 only; iii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) Only statistically significant changes have been marked in green/red (positive/negative changes). A 5% threshold has been used. "~" refers to stable performance (i.e. statistically insignificant change). vi) income reference year is the calendar year prior to the survey year (i.e. 2011) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).

Figure 28. Income quintile ratio (S80/S20), evolution 2008-2013



Source: Eurostat (EU-SILC)

Notes: i) Data not available for IE for 2013, so 2012 figure is shown; ii) Major break in series in 2013 in ES for income variables in EU-SILC, so 2012 figure is shown; iii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) The blue line shows equal inequality in 2008 and 2013, so countries to the left of the line have seen a rise in inequality, and those to the right a reduction.

Mixed effectiveness of income support systems for those furthest away from the labour market

Member States differ substantially in terms of the minimum safety nets they provide to jobless or quasi-jobless households, especially relative to the at-risk-of-poverty threshold. In 2013 the poverty risk for the (quasi-) jobless households ranged between as much as 78.4% in EE, 73.7% in SE, 73.6% in SK and 72.0% in BG to around 40% in DK, NL and the UK. Between 2012 and 2013, 6 Member States experienced a significant worsening of the poverty risk for (quasi-)jobless households with increases of 7.6 pp in LU, 7.0 pp in CY and around 5 pp in EE and PT. In contrast, strong reductions were recorded in DE (-4.8 pp), FI (-8.8 pp) and the UK (-4.8 pp), suggesting an improved efficiency of safety nets in terms of income support in these countries.

The longer term trend since the beginning of the crisis (2008) has mainly been one of worsening poverty among (quasi-)jobless households, with 14 Member States seeing an increased poverty risk for people in such households and with increases of around 10 pp in FR, HU and PL, and of around 20 pp or above in EL, SK and SE. When looked at together with the parallel evolution of the share of the population in (quasi-)jobless households, it is evident that in some Member States such as BE, EL, ES, IT, LU, PT, SI, SK and SE, income support levels of last resort schemes have worsened significantly at the same time as the number of people counting on them has increased. Furthermore, the adequacy of minimum safety nets is further affected by access limitations. In fact, significant shares of people who are entitled to social assistance do not actually receive these benefits, partly due to administrative complexities, lack of information and stigma.

Figure 29. At-risk-of-poverty rate for the population living in (quasi-) jobless households (in %), evolutions 2012-2013 and 2008-2013

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013	56.6	56.5	59.7	60.7	72.0	53.5	41.0	63.7	78.4	46.7	58.4	61.3	60.5	64.2	57.9	
2012-2013 change in pp	~	~	~	~	~	~	~	-4.8	5.4	n.a.	~	n.a.	3.0	~	2.5	
2008-2013 change in pp	n.a.	~	4.3	6.0	-5.8	-1.9	~	~	-3.9	~	18.1	7.4	10.7	n.a.	4.9	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013	52.4	67.9	66.0	51.9	58.9	65.2	39.8	50.2	59.4	59.4	49.3	56.8	73.6	50.7	73.7	41.2
2012-2013 change in pp	7.0	~	~	7.6	~	~	~	~	~	4.9	~	~	~	-8.8	~	-4.8
2008-2013 change in pp	2.0	-15.4	~	2.5	10.4	3.6	~	~	10.2	6.2	-1.1	1.8	20.5	-5.6	22.3	-21.9

Source: Eurostat (EU-SILC)

Notes: i) Latest data available for Ireland refers to 2012 and changes are presented for the period 2008-2012 only; ii) Major break in series in 2013 in ES for income variables in EU-SILC, so no latest year changes are shown while longer term changes are presented for the period 2008-2012 only; iii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) Only statistically significant changes have been marked in green/red (positive/negative changes). For the change 2011-2012, Eurostat computations of significance of net change have been used. For the change 2008-2012, a 1pp threshold has been used. "~" refers to stable performance (i.e. statistically insignificant change). v) For the at-risk-of-poverty rate, the income reference year is the calendar year prior to the survey year (i.e. 2012) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey). Similarly, the (quasi-)jobless households (i.e. very low work intensity) rate refers to the previous calendar year (i.e. 2012) while for the severe material deprivation rate, the reference is the current year (i.e. 2013).

To support the needs of people at risk of poverty, governments provide social security in the form of social transfers. The effectiveness of social provision can be examined by comparing the at-risk-of-poverty rate before and after social transfers. The impact of social transfers on poverty reduction varies greatly across Member States. In 2013, it ranged from only 17.5% in EL to 56% in DK and 60% in IE (2012 figure). These large differences highlight the potential for improvement in some Member States in the size and effectiveness of social protection expenditure. Between 2012 and 2013, however, there were no significant changes in the capacity of social transfers to reduce poverty, and in the longer term (2008-2013) only 8 countries (EE, LV and LT as well as CY, ES, IE, FI and the UK) have strengthened the impact of transfers in reducing poverty as opposed to 4 countries (CZ, HU, PL and SE) where the impact has decreased¹⁷.

Figure 30. Impact of social transfers (excluding pensions) on poverty reduction, 2008, 2012 and 2013¹⁸

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013	35.3	35.7	34.0	42.6	21.3	48.2	56.2	34.0	26.8	60.1	17.5	32.0	43.4	34.3	22.4	
2012-2013 % change	~	~	~	~	~	~	~	~	~	n.a.	~	n.a.	~	~	~	
2008-2013 % change	n.a.	~	~	~	~	-6.8	~	~	5.7	5.6	~	7.5	~	~	~	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013	37.0	25.4	32.0	45.9	45.6	32.6	50.0	44.4	24.8	26.7	19.4	42.7	36.3	55.3	45.4	47.2
2012-2013 % change	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~
2008-2013 % change	6.5	11.1	5.5	~	-13.6	~	~	~	-7.9	~	~	~	~	5.1	-11.8	11.9

Source: Eurostat (EU-SILC)

Notes: i) Latest data available for Ireland refers to 2012 and changes are presented for the period 2008-2012 only; ii) Major break in series in 2013 in ES for income variables in EU-SILC, so no latest year changes are shown while longer term changes are presented for the period 2008-2012 only; iii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) Only statistically significant changes have been marked in green/red (positive/negative changes). A 5% threshold has been used. "~" refers to stable performance (i.e. statistically insignificant change). vi) For the at-risk-of poverty rate, the income reference year is the calendar year prior to the survey year (i.e. 2011) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).

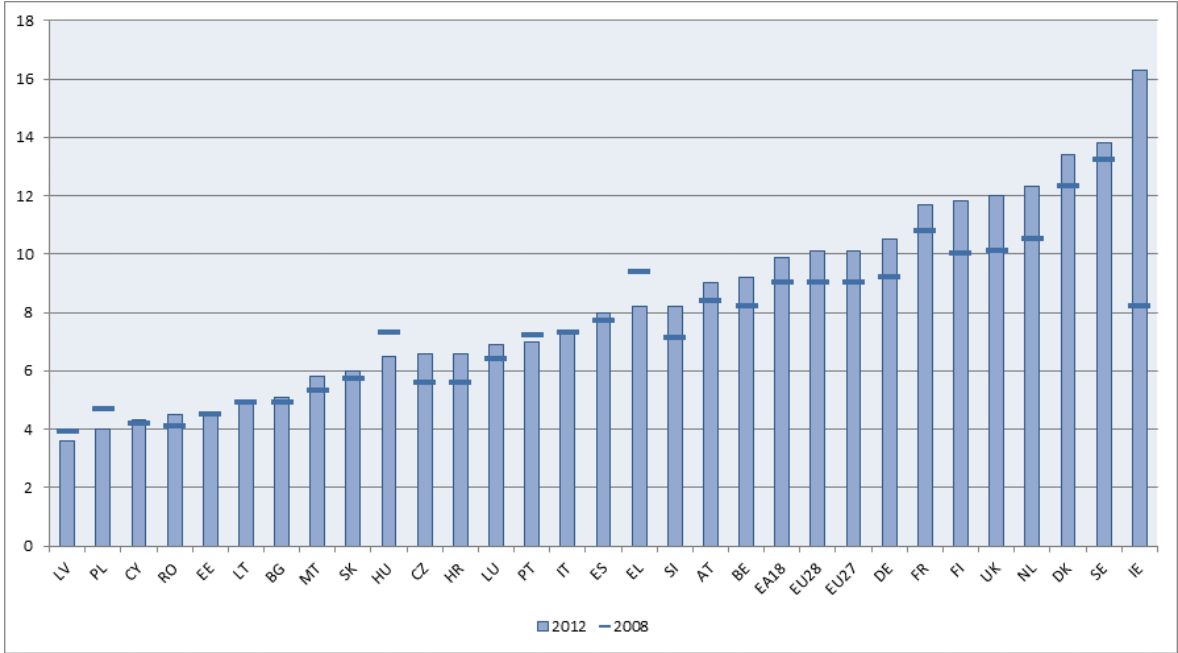
The above assessment of the impact of social transfers does not take into account non-cash benefits such as transfers in kind. A number of Member States provide public services to those furthest away from the labour market which contribute to general welfare and are not detected in purely income-based measures. However, if we look into the expenditure on such in-kind services, we can see that **the countries which generally achieve a low impact of social transfers on poverty**

¹⁷ The assessment of the impact of social transfers on poverty reduction is complex, as it depends on various factors such as the effect of pensions' indexation on the poverty threshold and the phasing out of benefits (e.g. for long-term unemployed).

¹⁸ The impact of social transfers is a theoretical indicator which is calculated using a fixed poverty line and ignores the influence that social transfers have on median income. This should be taken into account when interpreting the figures.

reduction are also those that tend to spend less on in-kind services. In most countries the spending on in-kind benefits has slightly increased since 2008, with an average increase of 1.1 pp at EU level, but with more notable rises in IE (8.1 pp) and FI, NL and the UK (all with rises of close to 2 pp).

Figure 31. Social benefits in-kind, as % of GDP, 2008 and 2012



Source: Eurostat (Esspros)

Box 5. Peer review on social impact assessment by means of micro-simulation models

The Peer Review held in Austria, on 4-5 December 2014, discussed quantitative models which simulate the probable effect of changes in taxes and welfare benefits in order to provide policy-makers with a useful evidence base. Austria has broken new ground by creating an easy-to-use public website (SORESI) which enables all citizens to calculate the effects of tax and benefit changes on different sections of the population. SORESI is based on the EU-wide EUROMOD simulation engine, which holds the EU-SILC data on all 28 Member States.

Key messages that emerged during the discussion included that building customisable national web front-ends for the EUROMOD simulation engine is a replicable initiative. The European Commission is willing to help Member States with set-up costs should the need arise. However, also constant support including funding for running a micro-simulation model has to be ensured. Since social NGOs are key potential users, they should be involved in the design of such websites. There are persuasive arguments for developing systems with two interfaces – a user-friendly but

limited one for use by the general public, and a more flexible one for expert users. It was pointed out that there is a need to extend EUROMOD to include the modelling of indirect taxes as well as wealth taxes. There is also a good case to include gender impact assessment in micro-simulations, for example related to pension issues.

Tax-benefit micro-simulation is a useful tool in measuring progress towards meeting the objectives of the Europe 2020 strategy. It helps policy-makers to develop evidence-based policies because it enables them to see in detail how policy changes are likely to affect different parts of the population and to estimate their budgetary effects. In this context, the European Semester approach could benefit from micro-simulation models. Furthermore, the open availability of a micro-simulation model would allow stakeholders to play a more active part in policy-making, because they could compare the effects of government proposals with those of possible alternatives. Tax-benefit micro-simulation is also relevant for the Social Investment Package in that it can track the way in which childcare benefits affect poverty and social inclusion. However, to forecast the return to social investments, the tax-benefit model must be linked with a labour supply model.

For further details consult the following link:

<http://ec.europa.eu/social/main.jsp?catId=1024&langId=en&newsId=2098&furtherNews=yes>

Consistent and widespread improvement of the employment rate of older workers

Considerable effort has been made over the last decade or so to improve older people's labour market participation. As can be seen in Figure 32, this is an area where positive strides have been made, even during the period of the crisis. The employment rate of older workers aged between 55 and 64 years had increased to 50.2% in the EU in 2013, a rise of close to 5 pps since the beginning of the crisis in 2008. The increase since 2008 has been highest in DE (+9.9 pps) and PL (+9.0 pps), but also substantial (around 6-8 pps) in BE, FR, LU, HU, MT, NL and IT, in some of which the financial incentives to continue work at older ages have improved strongly in recent years (e.g. DE, FR, IT and NL). Overall, since 2008, 18 Member States have improved their employment rates for older workers, and the widespread positive impetus is continuing as significant rises were also recorded between 2012 and 2013 in 17 Member States.

Only in the southern Member States of CY, EL, ES and PT as well as in EI, LV and RO, generally those Member States which were hardest hit by the crisis have negative trends been observed over 2008-2013. For some such as CY, EL, LV and PT the fall in older workers' employment rates has been very marked, ranging from around 4 pps to as high as 7.4 pps in EL. The Baltic States had previously experienced a generally worsening situation overall with reference to 2008, but in recent years have registered notable improvements.

Figure 32. Employment rate of older workers (55-64), evolution 2012-2013 and 2008-2013

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013	50.2	50.3	50.0	41.7	47.4	51.6	61.7	63.6	62.6	51.3	35.6	43.2	45.6	37.8	42.7	
2012-2013 change in pp	1.5	1.4	1.4	2.2	1.7	2.3	~	2.0	2.1	2.0	~	~	1.1	1.1	2.3	
2008-2013 change in pp	4.7	4.7	5.6	7.2	1.4	4.0	3.3	9.9	~	-2.4	-7.4	-2.3	7.4	1.1	8.3	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013	49.6	54.8	53.4	40.5	38.5	36.3	60.1	44.9	40.6	46.9	41.5	33.5	44.0	58.5	73.6	59.8
2012-2013 change in pp	-1.1	2.0	1.7	~	1.6	1.6	1.5	1.8	1.9	~	~	~	~	~	~	1.7
2008-2013 change in pp	-5.2	-4.3	~	6.4	7.1	6.2	7.1	3.9	9.0	-3.8	-1.6	~	4.8	2.0	3.5	1.8

Source: Eurostat (LFS)

Note: Only statistically significant changes have been marked in green/red (positive/negative changes) with a 1pp threshold. "~" refers to stable performance (i.e. statistically insignificant change).

Reasons for the overall positive trend, which was already on-going before the crisis, include a continuing upward shift in educational achievement levels and in the participation of female workers aged 55-64 along with the higher employment protection enjoyed by older workers, but also the impact of tax/benefit reforms restricting access to early retirement and encouraging longer working lives and some changes in age management in work places. All this is feeding through into extending the effective retirement age.

Box 6. Peer review on the Active Ageing Index and its extension to the regional level

The Peer Review in Poland on 15-16 October 2014 discussed the use of the Active Ageing Index (AAI) as a means to measure the untapped potential of older people, their independence and participation in paid employment and social activities. The AAI contributes to the objectives of the Social Investment Package by enabling Member States to invest better in the skills and capacities of older people. The Peer Review explored whether a regional AAI, as piloted by Poland, could be a useful extension to this.

Most policies focus on the issues of employment and health, and the focus is shifting from the national to the regional level. In order to implement policies for active ageing, the Peer Review participants stressed the necessity to involve regional and local authorities, as well as a wide range of stakeholders – primarily older people, but also young people, employers, trade unions, service providers and researchers. The wide gender disparities that the index reveals show that it is furthermore vitally important to take a gender approach to preparing indexes on ageing. The governance of active ageing policy was also an issue as many countries lack the administrative

machinery to co-ordinate the efforts of the different ministries involved. Those countries that do have a coordinating body have the advantage that there is an interlocutor to conduct dialogue with the stakeholders.

There was a broad consensus among the Peer Review participants that the Active Ageing Index is potentially a useful tool at regional and local level. However in order to use it, an investment needs to be made in obtaining data, and the index needs to be applied flexibly to cope with regional differences, such as the rural/urban distinction. It should not be seen as a rigid tool, but as a framework for policy dialogue.

For further details consult the following link:

<http://ec.europa.eu/social/main.jsp?catId=1024&langId=en&newsId=2099&furtherNews=yes>

Active ageing measures are of growing importance as recent pension reforms require longer contributory periods to ensure an adequate pension. Increased employment ensures the accumulation of pension rights and contributes to the sustainability of the pension system. For this to be successful however, older workers' employment must guarantee pension rights and pension levels must be adequate in order to combat poverty and social exclusion in old age. This is of particular importance for women. The move towards gender equality in the employment rate of older workers is not mirrored in a broader move towards more equal work patterns. Women, generally, have a lower participation rate, experience a gender pay gap, and more often interrupt their working lives due to child rearing. Female pensioners have a higher risk of poverty than men as a consequence of these gender inequalities; women receive lower pensions than men and often fail to qualify for benefits. Therefore, first and foremost, **active ageing measures which ensure equal outcomes for men and women are needed**, as the lack of progress in activity and employment rates can often be explained by poor employment opportunities and working conditions for older workers which can undermine the incentives embedded in pension systems.

Social protection systems which effectively contribute to maintaining the health of the population and provide adequate long-term care also play a key role in enabling participation in society and the labour market and ensuring independent living by older people. Beyond health services, working and living environments should also be better adapted to the needs of older people, including adapted housing and transport services, local libraries, and home support, which enable the elderly to live independently for longer.

Pensions continue to avert poverty for many though divergence in adequacy and effectiveness remains

Pensions constitute by far the main source of income for older Europeans, who represent a large and growing share of the EU population. They are also the largest element in social protection systems, affecting the primary incomes of more people than any other component. The total number of pensioners in the EU presently comes to about 120 million or a quarter of the population. Almost 2/3 of these are women. The adequacy of pensions is measured by, among other things, their ability to prevent poverty, the degree to which they replace income before retirement and how they compare to the average incomes of people below pensionable age.

Regarding the ability of pensions to prevent poverty in old age, the trend since the beginning of the crisis in the income situation of the elderly has been better than for other age groups in many Member States, mainly due to the stability of pension income. 23 Member States have seen the share of the elderly at risk of poverty or social exclusion decrease by more than 1pp between 2008 and 2013. There are, however, three countries which have had increasing rates of poverty or social exclusion of the elderly over the same period – HU, LU and SE. In addition, several countries saw increases between 2012 and 2013 (EE, LV, LU and the UK), although the general trend remains widely positive with 15 Member States recording significant reductions. In terms of actual levels of the share of the elderly living in poverty or social exclusion there remain wide disparities across Member States. In 2013 the share was close to 60% in BG and above 30% in HR, LT, LV and RO, while being below 10% in LU and NL.

Figure 33. At risk of poverty or social exclusion rate for the elderly (65+), evolution 2012-2013 and 2008-2013

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013	18.3	18.2	16.5	19.5	57.6	10.4	11.4	16.0	28.0	14.7	23.1	14.5	10.4	31.9	22.6	
2012-2013 change in pp	-1.1	-1.0	-1.0	-1.7	-1.5	~	-3.2	~	6.2	n.a.	~	n.a.	-0.7	~	-2.6	
2008-2013 change in pp	n.a.	-5.2	-3.9	-3.4	-7.9	-2.1	-7.2	~	-12.9	-7.8	-5.0	-11.1	-3.7	n.a.	-1.8	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013	26.1	36.1	31.7	7.0	19.0	20.8	6.1	16.2	19.7	20.3	35.0	23.0	13.6	16.8	16.5	18.1
2012-2013 change in pp	-7.3	2.4	-4.0	0.9	-1.6	-1.5	~	~	-3.7	-1.9	-0.7	~	-2.7	-2.7	-1.4	0.8
2008-2013 change in pp	-23.2	-22.7	-6.4	1.6	1.5	-5.2	-3.6	-5.0	-7.2	-7.4	-14.2	-1.4	-8.3	-7.1	1.0	-10.4

Source: Eurostat (EU-SILC)

Notes: i) Latest data available for Ireland refers to 2012 and changes are presented for the period 2008-2012 only; ii) Major break in series in 2013 in ES for income variables in EU-SILC, so no latest year changes are shown while longer term changes are presented for the period 2008-2012 only; iii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) Only statistically significant changes have been marked in green/red (positive/negative changes). For the change 2012-2013, Eurostat computations of significance of net change have been used. For the change 2008-2013, a 1pp threshold has been used. "~" refers to stable performance (i.e. statistically insignificant change). vi) For the at-risk-of-poverty rate, the income reference year is the calendar year prior to the survey year (i.e. 2012) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey). Similarly, the quasi-jobless households (i.e. very low work intensity) rate refers to the previous calendar year (i.e. 2012) while for the severe material deprivation rate, the reference is the current year (i.e. 2013).

Pension systems play a key role in allowing people to maintain their living standards in old age at a level comparable to that achieved during working life. The median relative income of older people (i.e. the ratio of the median equivalised disposable income of people aged above 65 to the median equivalised disposable income of those aged below 65), has been rather stable in most Member States in the latest period with few exceptions. At EU level the relative median income ratio reached 93% in 2013, but underlying this are substantial differences across countries. The relative median income ratio was below 70% in EE, and under 80% in BE, BG, CY, DK, FI, LV and MT. At the other end of the spectrum, EL, ES, FR, HU, LU, and RO recorded a relative median equivalised income for people over 65 that was equal to or greater than that for younger cohorts.

Figure 34. Median relative income ratio for the elderly, 2008, 2012 and 2013

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013	0.93	0.93	0.94	0.76	0.76	0.85	0.76	0.89	0.69	0.88	1.04	1.00	1.02	0.88	0.96	
2012-2013 % change	~	~	~	~	~	~	~	~	~	n.a.	~	n.a.	~	~	~	
2008-2013 % change	n.a.	9.4	9.3	~	15.2	7.6	8.6	~	11.3	18.9	20.9	17.7	7.4	17.3	9.1	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013	0.77	0.77	0.81	1.13	1.05	0.79	0.90	0.95	0.98	0.94	1.04	0.87	0.90	0.78	0.81	0.87
2012-2013 % change	10.0	~	~	~	8.2	~	~	~	~	~	~	~	11.1	~	~	~
2008-2013 % change	30.5	45.3	14.1	16.5	5.0	8.2	7.1	8.0	~	13.3	22.4	~	13.9	8.3	~	17.6

Source: Eurostat (EU-SILC)

Notes: i) Latest data available for Ireland refers to 2012 and changes are presented for the period 2008-2012 only; ii) Major break in series in 2013 in ES for income variables in EU-SILC, so no latest year changes are shown while longer term changes are presented for the period 2008-2012 only; iii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) Only statistically significant changes have been marked in green/red (positive/negative changes). A 5% threshold has been used. "~" refers to stable performance, vi) income reference year is the calendar year prior to the survey year (i.e. 2012) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).

Since 2008 the ratio has increased by more than 15% in ten countries: BG, CY, EL, ES, IE, HR, LV, LU, RO and the UK. The only countries which did not show a significant improvement (i.e. of above 5%) were BE, DE, PL, SI and SE.

When analysing fluctuations of this income ratio indicator, one has to be aware that it is a relative measure and its value is influenced by changes in the income of both the elderly (numerator) and the working age population (denominator). A decrease in the income of the working age population when the income position of people age 65+ remains stable might give the impression that the actual position (i.e. income level) of the older cohort has improved. The indicator thus needs to be assessed together with some absolute variables, such as the evolution in per capita incomes.

To assess the extent to which pensions fulfil their role of replacing income after retirement, it is important to consider how many people are covered by pension systems and how large a proportion of their income is derived from pensions. The aggregate replacement ratio measures the median individual gross pension (including old-age and other pension benefits) of people aged 65-74 relative to median individual gross earnings of people aged 50-59.

Figure 35. Aggregate replacement ratio, evolutions 2012-2013 and 2008-2013

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013	0.56	0.56	0.56	0.47	0.39	0.56	0.44	0.47	0.50	:	0.60	0.60	0.64	0.37	0.62	
2012-2013 % change	~	~	~	~	-7.1	~	~	~	~	n.a.	15.4	n.a.	~	~	6.9	
2008-2013 % change	n.a.	12.0	12.0	~	14.7	9.8	7.3	6.8	11.1	n.a.	46.3	18.4	~	-21.3	21.6	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013	0.40	0.47	0.48	0.78	0.61	0.56	0.47	0.59	0.60	0.59	0.65	0.46	0.61	0.49	0.58	0.53
2012-2013 % change	~	~	6.7	~	5.2	21.7	~	~	~	~	~	~	8.9	~	~	6.0
2008-2013 % change	21.2	56.7	9.1	34.5	~	36.6	9.3	~	7.1	15.7	32.7	~	13.0	~	-6.5	23.3

Source: Eurostat (EU-SILC)

Notes: i) Data not available for IE for 2013 or 2012; ii) Major break in series in 2013 in ES for income variables in EU-SILC, so no latest year changes are shown while longer term changes are presented for the period 2008-2012 only; iii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) Only statistically significant changes have been marked in green/red (positive/negative changes). A 5% threshold has been used. "~" refers to stable performance, vi) income reference year is the calendar year prior to the survey year (i.e. 2012) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).

At EU level the ratio reached 56% in 2013, although there are substantial variations across countries (see Figure 35). In general, the aggregate replacement ratios show that current median pension levels are very low compared to current median earnings in HR, BG and CY (respectively 37%, 39% and 40% in 2013) and to some extent in BE, DE, DK, FI, LV, LT, NL and SI (all below 50% in 2013). This can be due to low income replacement from statutory pension schemes (e.g. BG), but it can also reflect the immaturity of supplementary pension schemes (e.g. CY), low past labour force participation rates and incomplete careers.

As for its evolution, the value of the ratio for the EU-27 increased by 12%, from 50% in 2008 to 56% in 2013. This upward trend is observed in two-thirds of Member States and is primarily the result of the crisis-related decline in wage incomes of people aged 50-59. Only HR and SE have experienced a worsening of the income position of pensioners in comparison to the working population 50-59 since 2008, and only BG registered a deterioration between 2012 and 2013.

In 2012 the SPC adopted its report on Pension Adequacy in the European Union (2012-2052)¹⁹ which analysed the future adequacy of pensions by assessing theoretical replacement rates (TRRs). Some of the main conclusions related to the fact that future levels of pensions in relation to earnings (income replacement levels) will depend on different factors, notably the pace of accrual of pension entitlements (which is linked to developments in the labour market), the maturation of pension schemes and the effect of reforms. Most Member States' reforms of statutory schemes will

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<http://www.google.be/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=1&cad=rja&uact=8&ved=0CCQFjAA&url=http%3A%2F%2Fec.europa.eu%2Fsocial%2FblobServlet%3FdocId%3D7805%26langId%3Den&ei=KzHaVKfxKIK3PPPugYAC&usg=AFQjCNEoUYCc12Zi20O6lUkVWof1pYST1w>

lead to a decrease of replacement rates at given retirement ages. Indeed, measures introduced in many Member States in order to cope with increasing longevity and to incentivise longer working lives go in this direction: lowering future benefit levels at a fixed retirement age, increasing the statutory retirement age, tightening and abolishing of early retirement options, or increasing contributory periods needed for a full pension.

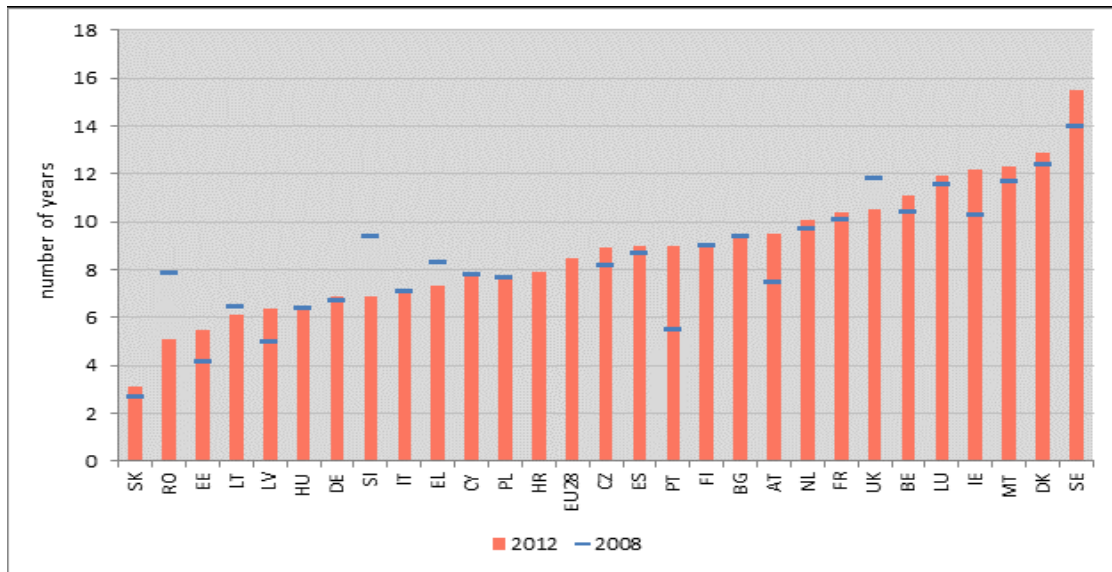
Access to health and health outcomes

Health status is a key determinant of the well-being and labour market participation of the individual. A healthy population is associated with better educational attainment, better earnings and wages, higher labour market participation and a higher number of hours worked in adult age. Health is also shown to be positively associated with economic growth and social welfare.

Despite these benefits, a recent Eurofound study (Eurofound (2014b)) reports that in the wake of the crisis, many European governments have cut spending on healthcare services. However, in the face of rising unemployment and financial strain, there is an increased need for some healthcare services, while decreased disposable income has made access to healthcare more difficult for many households in the EU. In this context, policymakers and service providers are faced with the challenge of maintaining access to healthcare services.

Looking at both objective and subjective measures of health can provide a snapshot of the health status of society as a whole. In general, at EU level the number of healthy life years (HLY) at 65 is now quite similar for both women and men, with the EU average for both being 8.5 years in 2012. Over the period 2008-2012, there was a significant increase in healthy life expectancy for women in 10 Member States, the greatest rises being in AT (2 years) and PT (3.5 years, but with a break in the time series). There were only five countries where HLY at 65 for women decreased significantly (EL, LT, RO, SI, UK), with the biggest decrease recorded in RO and SI (down by 2.8 and 2.5 years respectively).

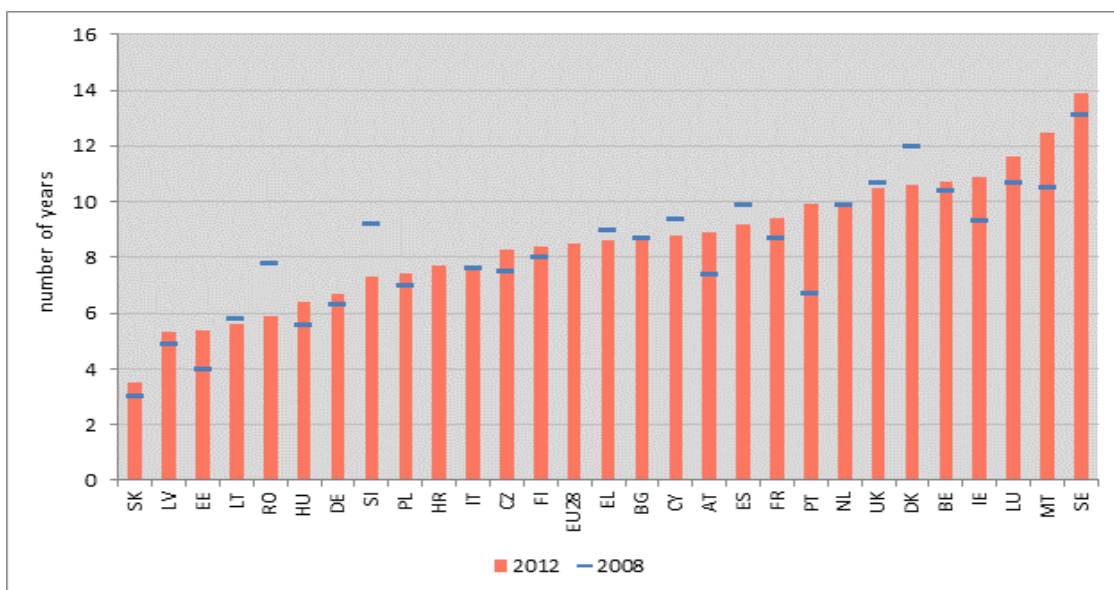
Figure 36. Healthy life years at 65 for females, 2008 and 2012



Source: Eurostat

The change in HLY at 65 for men in the years 2008 – 2012 has generally been even more positive than that for women, with 15 Member States recording rises for men, although there were significant falls in 5 (CY, DK, ES, RO and SI). Similar to the situation for females, the greatest decreases were noted in RO and SI (both down 1.9 years). On the other hand, the greatest increases were noted in MT (2 years) and PT (3.2 years, but with a break in the time series).

Figure 37. Healthy life years at 65 for males, 2008 and 2012



Source: Eurostat

The Eurofound study cited previously (Eurofound (2014b)) finds that while the crisis has been a major factor influencing complex healthcare systems, there are significant differences between countries and between services in the impact the crisis has had on healthcare access. Nevertheless, even where a country's health services have hardly experienced any cuts (such as all services in Luxembourg, and nursing home healthcare in Latvia), it has still been possible to identify impacts of the crisis on access to healthcare.

The study also finds that difficulties in accessing healthcare have long been more common among certain population groups, and that in some cases, measures facilitating access for these groups have been cut. While there is great heterogeneity within these groups, they include people living in countries with poor overall access or in remote areas; those with low health literacy, poor education and low incomes; people with greater healthcare needs in general (such as people with disabilities, elderly people and people with chronic illnesses); or those who belong to a specific disadvantaged ethnic minority (such as Roma), as well as homeless people and migrants. Moreover, it reports that the crisis has resulted in the emergence of new groups that were not considered vulnerable previously due to increased unemployment, especially among young men, and increased household debt problems, particularly for young couples facing housing and job insecurity.

On average, 3.6 % of Europeans reported unmet need for medical care in 2013 (i.e. they had to join a waiting list, or the care available was too expensive or too far away). There are significant differences among Member States, with the rate as high as 13.8% in LV and 10.4% in RO, while in AT, ES, LU, MT, NL and SI the reported rate of unmet need is below 1%. There is a clear income gradient as those in the lowest income quintiles more often report an unmet need for medical care.

Figure 38. Self-reported unmet need for medical care²⁰, in %, and changes (in pp) 2012-2013 and 2008-2013

	EU28	EU27	EA18	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	
2013	3.6	3.6	0.0	1.9	8.9	1.0	1.3	1.6	8.4	3.3	9.0	0.8	2.7	3.3	7.1	
2012-2013 change in pp	~	~	n.a.	~	~	~	~	~	~	~	1.0	~	~	~	1.5	
2008-2013 change in pp	n.a.	~	n.a.	n.a.	-6.4	~	~	~	1.1	1.5	3.6	~	~	n.a.	1.9	
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2013	4.4	13.8	3.2	0.9	2.4	0.9	0.4	0.4	8.8	3.0	10.4	0.0	1.9	4.3	1.9	1.6
2012-2013 change in pp	~	1.4	~	~	~	~	~	~	~	~	~	~	~	~	~	~
2008-2013 change in pp	1.6	4.1	-2.3	~	-1.0	~	~	~	2.8	1.9	~	~	~	3.5	~	~

Source: Eurostat

Note: i) Break in series in BE in 2011 means that evolutions between years before 2011 and years from 2011 on cannot be interpreted; ii) Only statistically significant changes have been marked in green/red (positive/negative changes) with a 1pp threshold. "~" stands for stable performance (i.e. statistically insignificant change).

²⁰ This indicator is defined on the basis on self-reported unmet need related to three reasons – too far to travel, waiting list, too expensive

In the period 2008–2013, 9 countries recorded an increase of 1 percentage point or more in the share of the population reporting unmet needs for care (CY, EE, EL, FI, IE, IT, LV, PL and PT). Only 3 countries registered significant improvements in access - BG (-6.4pp), LT (-2.3pp) and HU (-1.0pp). In terms of the most recent changes for the period 2012-2013, there were only 3 countries that noted an increase (EL, IT and LV), but with none showing an improvement. While in most cases the share of this population has remained rather stable both in the latest available year (2012-2013) as well as since 2008, in EL, IT and LV, increases seem to be consistent across time.

Box 7. Peer review on Health System Performance Assessment (HSPA)

Health system performance assessment (HSPA) can be an important instrument in the governance of health systems for use at national level. Its main aims are to (i) set the goals and priorities for a health system; (ii) act as a focus for policy-making and coordinating actions within the health system; (iii) measure progress towards achievement of goals; (iv) promote efficient use of funds; (v) check the sustainability of the system and (vi) promote transparency and accountability to citizens. One of the most advanced countries in this field is Belgium, whose latest HSPA report covers five main dimensions of performance: quality, accessibility, efficiency, sustainability, and equity, featuring 74 indicators to assess the levels of performance. Thus, in May 2014, nine Member States met in Brussels for a Peer Review to learn from each other about different national models of HSPA: their underpinning methodologies, impact and governance process. The Peer Review furthermore allowed for Member States to learn about HSPA-related developments at EU-level and to indicate what support was required from the EU and international bodies.

As stressed in the Peer Review discussions, HSPA should be descriptive, although its findings may lead to recommendations for improving a health system. The selection of indicators used in HSPA will affect its outcome. Thus, concerns were expressed about approaches that strongly compress the number of indicators. It was pointed out that the focus of HSPA is the use at national level. International or regional comparisons might be made during HSPA exercises bearing in mind restrictions due to different health systems and methodological problems regarding data availability and comparability. Such comparisons might pinpoint problems and inefficiencies within national or regional healthcare provision. It was however acknowledged that some constraints on access to data exist. Privacy concerns have become a major issue in some countries, and health data are particularly sensitive in this regard. Furthermore, accountability is key to the success of HSPA. It was stressed that European and international action to support HSPA was desirable. While participants did not see the need for a European HSPA model (due to the variety of national health systems), they would welcome technical assistance for the development of national HSPA and support from the EC for the improvement (especially better coordination and less duplication) of international data collection that would allow them to carry out comparisons.

For further details consult the following link:

<http://ec.europa.eu/social/main.jsp?catId=1024&langId=en&newsId=1890&furtherNews=yes>

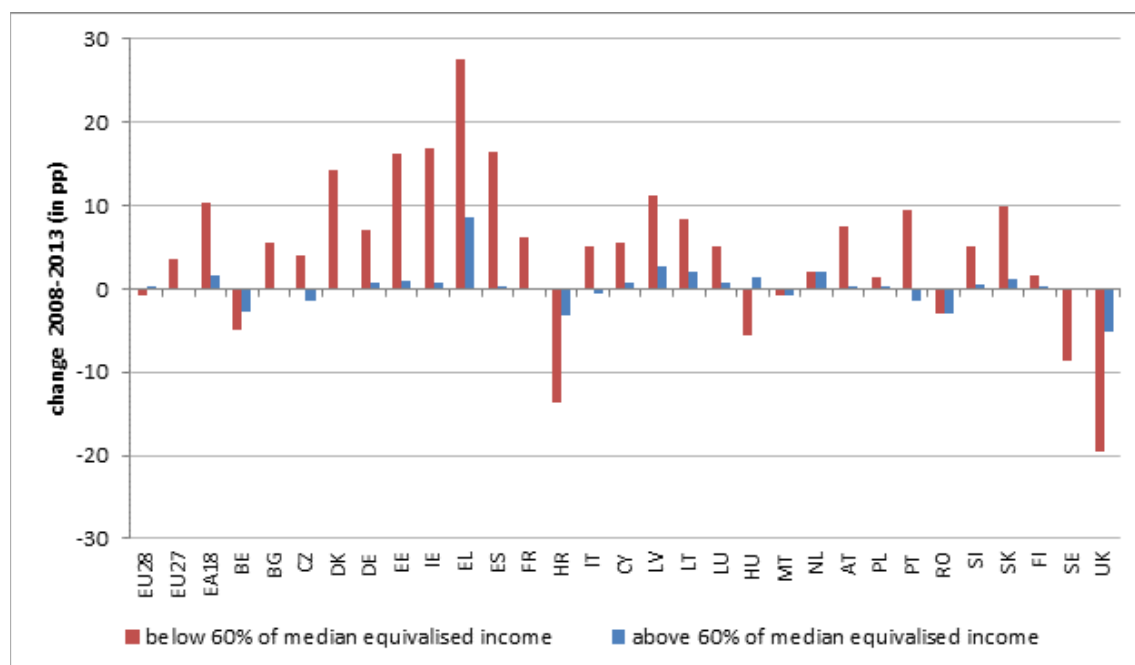
Developments in access to housing and homelessness

Housing costs represent an important share of a household's income, especially for lower income groups. An increasing burden of housing costs on a household's income as well as the over-indebtedness of many households might result in the inability of households to pay mortgages, rent or utility bills, increasing vulnerability for repossessions, foreclosures and evictions and in some cases, homelessness. There is a growing need for locally available affordable housing, including social housing and affordable private rentals, as well as a sufficient level of housing and heating allowances²¹

In 2013, the average share of housing costs over disposable household income varied among Member States, between a minimum of 2.6% in MT and a maximum of 36.9% in EL, with the average for the EU28 at 11.0%. Other countries with a relatively high share (in excess of 15%) were DE, DK, NL and RO.

Significant increases in the average share of housing costs in disposable household income have been recorded in 13 Member States between 2008 and 2013. In a number of countries the increase has been more prominent for people living below the poverty threshold, with increases of around 10pp or more in DK, EE, ES, IE, LV and SK, and as high as 27.5pp in EL. For individuals with higher incomes, the housing cost overburden rate has remained relatively stable with the exception of EL where it also increased substantially.

Figure 39. Evolution of the housing cost overburden rate, 2008-2013 (in pp)



Source: Eurostat (EU-SILC)

²¹ Commission Staff Working Document (2013)42 final on Confronting homelessness in the European Union

Notes: 1) Evolution for IE is for the period 2008-2012; ii) Major break in series in 2013 in ES for income variables in EU-SILC, so changes are presented for the period 2008-2012 only; iii) Evolutions for EU28, DE and HR are for the period 2010-2013; iv) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious;

Apart from overall housing costs, as much as 11% of EU28 citizens **cannot keep their homes adequately warm**, with above 20% in BG, EL, LT, MT, PT, LV and CY. The EU28 average is 24% for those below the poverty line, and beyond BG (69.7%), CY (51%), EL (48.4%), PT (44.6%) and IT (40.1%), figures also stand at over 30% in HU, LV, LT and MT²².

In several countries demand for housing allowances and social housing has grown in recent years as reported by Member States and stakeholders. **The number of people on waiting lists for social housing keeps growing** in many EU countries. According to UK government data, there were about 1.37 million households waiting for social housing in England in April 2014²³. This is an estimated increase by 30% since 1997. In France, the number of applicants for social housing reached a total of around 1.7 million applicants in 2013²⁴. The need for local authority housing in Ireland has increased by 74% since 2008 (from about 56,000 applicants to 98,000)²⁵. The need seems to be the most critical in capital and global cities where the housing markets are heated. There were close to 540,000 households registered on the waiting lists in greater Paris (Ile-de-France) in 2013, and 255,729 in greater London in April 2014²⁶.

In LT, the number of families entitled to social housing has been constantly increasing between 2008 and 2012 (in 2012 it was 33% higher than in 2008), and multiplied by 3.4 times between 2004 and 2012. However, only a small share of the demand is satisfied, so, in 2012 only a 3.4% of the entitled families had access to renting in municipal social housing. In LV, the number of housing benefits' recipients increased between 2009 and 2012, with the number of housing benefit recipients 38% higher than in 2009. In FI, the number of recipients (households) of general housing allowances has increased in the 2009-2013 period, so that in October 2013 it was 31.8% higher than in January 2009. The rise between October 2012 and October 2013 was 6.9%. Also the number of applicants for social rental housing increased between 2008 and 2012 in FI, reaching over 100,000 applicants waiting for an apartment in 2012. In FR, the total number of beneficiaries of housing allowances kept rather stable during the 2009-2011 period, and similar to the 2000 level. The amount of such benefits has however been increasing every year since 2006. The highest annual increase during the 2000-2011 period was in 2008, when it grew by 7.2% with respect to the previous year. Between 2010 and 2011, the total amount of housing benefits (in

²² EU SILC data

²³ Department for Communities and Local Government (2014) Live tables on rents, lettings and tenancies (<https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies>)

²⁴ Data from the National registration system (Système national d'enregistrement - SNE) of the housing ministry, as reported in Union Sociale pour l'Habitat (2013) Les demandeurs de logement social - fiche thématique. Note there is a break for 2013 since the source is no longer the previously used ENL (Enquête Nationale Logement) but the SNE (Système national d'enregistrement).

²⁵ Housing Agency (2011) Housing Needs Assessment 2011 (www.housing.ie)

²⁶ Orna Rosenfeld (2014) Social Housing in the UNECE: Models, Trends and Challenges. Presentation at the 75th session of the Committee on Housing and Land Management, Geneva, 8 - 9 October 2014 (<http://www.unece.org>)

euro) grew by 3.3%. In PL, the total number of housing allowances paid out in 2012 was 0.7% higher than in 2011, while the total amount paid as housing allowances rose by 5.2% as compared to the 2011 amount²⁷.

Regarding the ability of households to pay back their mortgages, housing loans or pay their utility bills, EU SILC data for 2013 shows an EU-28 average of 4.1% of the population in arrears on mortgage and rent payments and 10% among the poorer segment of the population, with huge differences among Member States. Among those with an income below 60% of the median income, EL has the highest percentage (25.1%) in Europe of people in arrears on rents or mortgage payment, followed by CZ, FR and HU with values above 16%, and this percentage has been increasing. In 2013, arrears on utilities stood at 10.1% for the entire population and 22.9% for the poorer segment of the population, with an average in the latter segment around 40% or more in Bulgaria, Croatia, Cyprus, Greece, Hungary and Romania²⁸. **However, a few countries (including EE, FR) reported an improvement in recent years.** In EE between 2012 and 2013, both the absolute number of hopeless housing loan contracts and their share in the total volume of housing loan contracts decreased. In particular, 0.6% of housing loan contracts were hopeless loans by the end of August 2013²⁹ In FR, 2.7% of owners were unable to pay for their loans in 2010, 0.9 pp lower than in 2009³⁰.

In PT, however, the percentage of borrowers with overdue loans for housing increased from 5.5% of the total number of borrowers with credit granted in the second quarter of 2011 to 6.2% in the second quarter of 2013. This share is nevertheless lower than the 8.3% reached in the first quarter of 2009. In HU, 5.7% of the number of home loan contracts and 9.4% of the total credit value for home loans were rated as subprime (July 2013). In total, 23.4% of the home loan contracts and 34.8% of the total credit value were rated as not problem free.

The 2012 European Quality of Life Survey shows a growing proportion of Europeans who report that they are afraid of losing their home because they can no longer afford it (from 4% in 2007 to 6% in 2011). The bulk of the increase comes from households living in larger, mortgaged accommodation³¹

Rising levels of evictions and foreclosures have negatively impacted on housing security. Preliminary findings of an EU-wide study on evictions and linked homelessness³² confirmed that very few Member States collect data on evictions on a regular basis, which makes analysis and comparisons difficult. Besides, there seem to be no simple pattern between welfare systems, level of crisis and trends of evictions. Nevertheless experts reported the following trends in evictions for

²⁷ Central Statistical Office, Local Data Bank (http://www.stat.gov.pl/bdlen/app/strona.html?p_name=indeks)

²⁸ EU SILC data

²⁹ Source: Bank of Estonia. (2013). Lending Review. February 2013. <http://www.eestipank.ee/en/publication/lending-review/2013/lending-review-february-2013>

³⁰ Source: Insee, SRCV 2007-2010, from Commissariat général au développement durable (2013), "L'état du logement en 2011".

³¹ Source Eurofound (2012), Third European Quality of Life Survey – Quality of life in Europe: Overview Report.

³² VT/2013/056 EC Pilot Project on Promoting protection of the right to housing – Homelessness prevention in the context of evictions. Final results are foreseen by mid-2015.

the period 2010-2013. Relative stability, or low levels of changes in eviction levels in the observation period of plus/minus 10 %, were found in five countries (AT, BE, EE, FI, FR). A decrease of more than 10 % was recorded in six Member States (HR, CZ, DK, LT, PT and SE). An increase of more than 10 % was observed in five countries (BG, CY, IE, LV, NL), with a particularly sharp increase of more than 100% in IE, NL and LV. In seven countries, however, the data show opposing trends for different indicators (DE, EL, HU, PL, SI, ES and UK). In most of these latter countries opposite trends were observed, and only in EL and IT did both available indicators show an increase, although one was at a moderate level of less than 10 %.

The above eviction study³³ also disclosed that more men than women are affected and that the bulk of adults evicted were between 25 and 65 years old. There seems to be a high proportion of single persons and lone parents (especially mothers) among those evicted and only a low percentage of households have income from regular work. All Member States report unemployment and household financial instability as major risk factors, but individual vulnerabilities, complex needs, family breakdown, often in combination with financial difficulties, also trigger evictions and foreclosures. In Central and Eastern Europe, general poverty problems, weak social protection systems, both amongst working poor and people on subsistence benefits, the lack of savings and utility arrears seem to play a greater role.

There seems to be a clear pathway from evictions to homelessness. Where evidence exists, it shows that 1 in 4 evicted people may be in a homelessness situation a while after an eviction – such as couch surfing, shelter use or rough sleeping- and about 20-50 % of homeless people (in different Member States) stated that an eviction was an important cause why they became homeless over a longer period.

Box 8. Recent trends in homelessness in Europe

Though comparable data on homelessness at EU level are still scarce, general trends in homelessness have been analysed in the Social Investment Package (SIP), notably in the SIP Staff Working Document on Confronting Homelessness in the European Union³⁴. Besides, data were provided by the Social Protection Committee in 2012³⁵, and by the EU-level homelessness network FEANTSA in a monitoring report from 2012³⁶ and in their very recent preliminary report on the

³³ Idem

³⁴ Commission Staff Working Document SWD(2013)42 final on Confronting Homelessness in the European Union, as part of the Social Investment Package <http://ec.europa.eu/social/main.jsp?catId=1061&langId=en>

³⁵ SPC (2012) *Social Europe Current challenges and the way forward: Annual Report of the Social Protection Committee*, available at <http://ec.europa.eu/social/main.jsp?catId=738&langId=fr&pubId=7405>

³⁶ FEANTSA (2012) *On the Way Home? FEANTSA Monitoring Report on Homelessness and Homeless Policies in Europe*, available at: <http://www.feantsa.org/spip.php?article854&lang=en>

extent and profile of homelessness³⁷. Some Member States also provided data on primary and secondary homelessness through the 2011 census³⁸, of varied quality, however.

Data confirmed a **sharp increase in overall homelessness levels** in the majority of Member States, first and foremost impacting capitals and big cities. A higher risk of homelessness was identified among young people, families, women or disadvantaged Roma or other ethnic minorities. Analysis also revealed that **homelessness is often triggered by a combination of disadvantages**, such as unemployment, poverty, family and relationship breakdowns, health and addiction problems, the lack of integration support after leaving institutions and a lack of affordable housing.

In AT, the number of persons registered over the course of a year as homeless increased by 8% between 2008 and 2010, reaching 12,266 people³⁹. In DK, there has been a total increase in homelessness of 16% over the past four years, rising from 4,998 in 2009 to 5,820 persons in 2013⁴⁰. In FR, the national statistics institute (INSEE) reports that approximately 141 500 people were homeless in metropolitan France in 2012. Compared to 2001 this represents an increase of 44% in cities of at least 20,000 inhabitants.⁴¹ In London, the number of households accepted as being owed a main homelessness duty was 4,340 – a decrease of 2% from 4,420 during the same quarter a year earlier⁴². However, in England, between 1 July and 30 September 2014, local authorities accepted 13,900 households as being owed a main homelessness duty. This is a 4% increase compared to the same quarter last year.

Statistics produced by Caritas Spain show that the number of homeless people using their services increased by 24% in the period between 2007 and 2011⁴³. According to the Spanish National Statistics Institute (INE) spending in centres which work with homeless people rose by 39% in the period 2006-2012⁴⁴. Besides, another survey from INE shows that centres for homeless persons received 22,930 homeless persons in 2012. This compared to 21,900 homeless persons in 2005, representing an increase of 4.8%. In LV, the number of clients in municipal shelters increased between 2009 and 2011, and then reduced in the last year (between 2011 and 2012). In 2012, the

³⁷ FEANTSA Report on "Extent and Profile of Homelessness in European Member States. A statistical update". EOH Comparative Studies on Homelessness (to be published in 2015). The report covers 15 Member States.

³⁸ <https://ec.europa.eu/CensusHub2/>

³⁹ Federal Ministry of Labour, Consumer Affairs and Social Protection *Social Report 2011 - 2012*. Analysis Section (translated into English), available at: http://www.bmask.gv.at/site/Soziales/Allgemeine_Sozialpolitik/Sozialberichte/Sozialbericht_2011_2012

⁴⁰ Benjaminsen, L. & Lauritzen, H. (2013), Hjemløshed i Danmark 2013. National kortlægning. [Homelessness in Denmark 2013. National mapping], Copenhagen, SFI.

⁴¹ Insee (2013) *L'hébergement des sans-domicile en 2012 Des modes d'hébergement différents selon les situations familiales*, available at: <http://www.insee.fr/fr/ffc/ipweb/ip1455/ip1455.pdf>

⁴² [Department for Communities and Local Government, Statutory Homelessness: July to September 2014 England](http://www.gov.uk/government/statistics/statutory-homelessness-in-england-july-to-september-2014), Ref:ISBN: 978-1-4098-4424-2, available at: <https://www.gov.uk/government/statistics/statutory-homelessness-in-england-july-to-september-2014> Department

⁴³ Caritas Española (2012) "Acompañando...nos". Mirada, acción y propuestas de Cáritas con personas que están sin hogar.

⁴⁴ INE (2013), Survey on Homeless Persons Results preview. Year 2012, available at: http://www.ine.es/en/prensa/np761_en.pdf

number of clients in municipal shelters was a 65.8% higher than in 2009.

In LT, the total number of occupiers of shelters for homeless has increased by 16% between 2009 and 2011. In EE, the lack of proper housing was the main reason for using shelter services for 38% of its users in 2012, 8pp higher than the percentage of users reporting lack of proper housing as their main reason to use such services in 2008⁴⁵. In FI, the number of homeless families has increased in the 2008-2012 period, so that in 2012 there were 49.2% more homeless families than in 2008. At the same time, the number of homeless individuals living outdoors, in overnight shelters, temporary accommodation or in institutions has decreased, so that in 2012 there were 35% less individuals in this situation, compared to their number in 2008⁴⁶.

In 2011, 0.4% of the population in CY lived in either improvised housing units or other housing units not built for habitation purposes⁴⁷. In NL, a total of 17,500 homeless people were estimated at the reference date of 1 January 2009 by the Dutch Central Bureau of Statistics and national estimates confirmed a 17 % increase of homelessness between 2010 and 2012. In RO, a total of 2,429 persons in 2012 were assisted in day or night shelters, either public or managed by NGOs. In SE, homelessness has grown by 29 % among rough sleepers, shelter users, hostels and homeless people in institutions between 2005 (6,600) and 2011 (8,500).

The particularly dramatic social impact of the crisis in some countries, such as EL, means that levels of homelessness have risen very dramatically. Service providers estimate that Greece's homeless population rose by 25% between 2009 and 2011 when it reached 20,000⁴⁸. The large number of households threatened by foreclosure or eviction means that the proportion of the population at risk of homelessness has increased. It is estimated that approximately 300.000 families risk losing their homes if the moratorium on repossessions would be lifted next year.

Most homeless people are not in employment, as confirmed by experts⁴⁹, though the extent to which homeless people are engaged in paid work varies considerably across Member States, from less than 5% in some countries to as much as 25% in others. 35% of homeless people in HU were in casual or regular work, as were 28% of homeless people in IT and 24% in FR⁵⁰. By contrast, in IE, only 8% of homeless people were employed, with only 5% working in PL and SE.

The largest cohort of homeless people is between 30 and 49 years old, but an estimated 20-30% of the whole homeless population is composed of younger people between 18 and 29 years old (e.g. FR: 26%⁵⁰, NL: 23%). Increasing homelessness amongst young people is emerging as a cause for concern in several Member States. For example, in DK, there has been an increase in youth homelessness of 80% or from 633 persons in 2009 to 1,138 persons in 2013⁵¹. Similarly, there is a

⁴⁵ Source: Ministry of Social Affairs

⁴⁶ Source: Housing Finance and Development Centre of Finland

⁴⁷ Source: Population Census 2011, CYSTAT

⁴⁸ FEANTSA (2012) *Op Cit.*

⁴⁹ FEANTSA (2015) *Op Cit.*

⁵⁰ Based on figures for cities with 20,000 inhabitants or more.

⁵¹ Benjaminsen, L. & Lauritzen, H. (2013), Hjemløshed i Danmark 2013. National kortlægning. [Homelessness in Denmark 2013. National mapping], Copenhagen, SFI.

trend of increased homelessness amongst families in various Member States. According to INSEE, 25% of homeless people in France are accompanied by children⁵². In HU and PL, **older people** are found to be a considerable part of the homeless population (17% and 22% aged 60 or over respectively), but they were unlikely to be homeless in some other Member States, such as IE and DK (3% over 65 and 5% over 60 respectively). These variations may be linked to differences in the levels of social protection and pensions for poor and vulnerable people over retirement age in different welfare systems.

In most Member States, men predominate among homeless people, accounting for about 75-85% of the whole homeless population against the proportion of women which stands at only about 15-25%. Some evidence suggests that homeless women may have a greater tendency to use informal arrangements with friends, family and acquaintances, avoiding living rough and entering homelessness services. This may mean that homeless women are less likely to be represented in the population recorded by homelessness services' administrative data. Women whose homelessness is linked to domestic/gender based violence, using refuges, shelters and other domestic violence services, may not be classified as using 'homeless' services, which may again mean the extent of women's homelessness is undercounted. In some Member States, including for example CZ, DK, IE or UK, women account for a larger share among the young homeless.

Though evidence is variable in the EU, it seems that repeated and long-term homeless people, with high rates of severe mental illness and problematic drug and alcohol use, account for only a relatively small portion of the homeless population, as was reported in DK, FI, IE and, based on partial data, in the UK⁵³.

A recent EU-study highlighted the **impact of migration on destitution and homelessness**⁵⁴, calling attention to the fact that EU mobile workers may face obstacles in accessing housing or social services/benefits due to not having an address. Experts⁵⁵ found that in DK, 17% of homeless people had migrated to Denmark or had parents who were migrants. Black British people are overrepresented among homeless people helped under English homelessness laws (14.5% of the people in the system, 3.5% of the population). New migrants, including economic migrants from the Eastern EU, sometimes appeared to be heavily represented among people living rough in the Northern EU, e.g. in Berlin, Dublin, London or Paris. An increased number of homeless immigrants were reported, particularly in France and Spain. In a number of Central and Eastern European countries, Roma people are overrepresented among populations who are very badly housed and in living situations that might be defined as homeless, but are not always counted as being homeless. This administrative distinction occurs elsewhere in the EU; the UK is also not recording 'traveller' populations, including Roma, who live permanently in mobile homes as being homeless on the basis that it is a chosen lifestyle. A particular challenge is to provide for undocumented

⁵² INSEE *Op Cit.*

⁵³ FEANTSA (2015) *Op. Cit.*

⁵⁴ European Commission study on "Mobility, Migration and Destitution in the European Union". Regioplan, March 2014

⁵⁵ FEANTSA Report on "Extent and Profile of Homelessness in European Member States. A statistical update". EOH *Comparative Studies on Homelessness (to be published in 2015). The report covers 15 Member States.*

migrants, who usually do not have legal access to homelessness services.

The SPC highlighted in 2012 that integrated strategies to tackle homelessness, whilst lacking in many instances, had been developed by a growing number of Member States and regions. This trend seems to continue. Several new strategies have been announced (e.g. LU, CZ and ES). Besides, for the permanent re-housing of long-term homeless people with complex needs, Housing First⁵⁶ programmes have been launched e.g. in BE, DK and FI. Some national/regional strategies have achieved impressive results in reducing homelessness (e.g. Scotland, Netherlands, Finland (long-term homelessness)). Robust homelessness strategies may also have helped to limit increases in homelessness due to structural factors (e.g. Ireland, Denmark (where those municipalities implementing the national strategy experienced much lower increases than others)). Full implementation, monitoring and the allocation of adequate resources are required for integrated homeless strategies to succeed. Some of the strategies which have been announced in recent years have yet to be implemented and are therefore unable to support progress to date.

Among the factors influencing access to housing are credit availability and price levels. During the last years, trends in housing credit seem to vary between countries. In some countries (HU, CY, PT, HR), availability of housing credit has decreased. For example, in HU, both the number of permitted housing credits (contracts) and its volume (in HUF) decreased dramatically between 2008 and 2009, by 61.5% and 66.1% respectively. In 2012, the number of permitted housing credits was a further 3.6% lower than in 2009, and the volume of housing credits was 35.8% lower than in 2009. In CY, bank loans to households for house purchase rose annually in the Q1 2008 to February 2013 period, and then started to reduce as from Q1 2013. In Q3 2013 they were 4.5% lower than in the previous one-year period.⁵⁷ According to the latest CBC Bank Lending Survey (July 2013), banks have tightened credit standards concerning loans to households for house purchase. In Q3 2013, 53.4% of total loans to the household sector were housing loans, a share rather stable since Q4 2010⁵⁸. In PT, the increasing trend in housing credit since 2009 reversed as from 2011. Between Q1 2011 and Q2 2013, the nominal amount of loans granted to private individuals for housing declined by 6.6%. At the same time, the number of private borrowers for housing decreased by 3.8% between Q2 2011 and Q2 2013. In FR, loans for housing decreased between 2011 and 2012 (22.8% less for old housing, and a 17% reduction for new housing). The evolution of households' rate of property indebtedness slowed in 2011, increasing by 3.4% with respect to the 2010 indebtedness rate, after having doubled in the 2000-2011 period (it was at 64% of households' disposable income in 2011)⁵⁹. In HR, housing loans dropped slightly at a rate of about 1% a year. An opposite upward trend is observed in EE, where, after almost four years of decline, the volume of new housing loans increased by 16% in 2012, as compared to their volume

⁵⁶ "Housing First Europe" project, financed from PROGRESS <http://www.socialstyrelsen.dk/housingfirsteurope>

⁵⁷ Source: Central Bank of Cyprus

⁵⁸ Source: Central Bank of Cyprus

⁵⁹ Source: Insee, Banque de France, from Commissariat général au développement durable (2013), "L'état du logement en 2011"

in 2011⁶⁰. In PL, 17% of households used financing for the purchase of a house or apartment in 2013, compared to 14% in 2011⁶¹.

As regards price evolution, data from the European Mortgage Federation⁶² show considerable changes in housing prices between 2009 and 2012. In some domestic markets, nominal house prices have followed a positive trend, while in some others prices have moved along a downward path. As a result, in Q4 2012, prices were above their Q2 2009 levels in Belgium (+15%), the UK (+11.5%), Sweden (+9.1%) and Germany (+7.9%); by contrast, they had declined in Portugal (-1.5%), Denmark (-6.4%), the Netherlands (-13.4%), Hungary (-15.9%), Spain (-20.3%) and Ireland (-33.7%). In real terms, compared with Q2 2009, house prices increased by 7.0% in Belgium, 5.3% in France, 4.4%, in Sweden, 1.3% in Germany and remained stable in the UK. They contracted by 7.2% in Portugal, 11.6% in Denmark, 18.2% in the Netherlands, 26.0% in Spain, 26.5% in Hungary and 33.7% in Ireland.

Among the factors behind the national housing price dynamics, disposable income per capita and the average construction cost for a new dwelling seem to have played a significant role between 2002 and 2012. The former relates to demand and tends to be significantly correlated with the observed house price variations in the EU. On the supply side, construction costs might have also influenced nominal house prices, through the new housing segment.

Member States reported that in FR, house prices doubled between 2000 and 2008, reduced during the year 2008-beginning of 2009, but grew again during 2009 and 2010 to reach the price levels before the start of the decline in 2008⁶³. House prices in France continued to rise to the third quarter of 2011, but decreased afterwards. At the last quarter of 2013, house prices had come back to approximately the same level as the last quarter of 2010 (INSEE). In PL, the average price per square metre increased sharply between 2005 and 2007, and continued an upward trend until 2010, when it seemed to stabilise, and then started reducing as from 2011. Hence, the average price of one square metre in Q2 2013 was 12.3% lower than its Q1 2010 level, which was, in turn, 2.3 times the Q1 2005 average price⁶⁴. Real interest rates on loans are also rising, and reached 5% in 2013 Q1, the highest level since 2005⁶⁵. Prices of old sold apartments have also been increasing in FI during the 2009-2013 period, so that in Q2 2013 prices per square meter in the capital region were 22.8% higher than in Q2 2009, while in other parts of FI they were a 12.8% higher than in Q2 2009. The rents for apartments have also increased in the 2009-2012 period. In the capital region, the rents for new tenancies increased by about 4% per year and elsewhere in FI by about 3% per year⁶⁶. However, in CY, following the high increases in housing prices that were recorded during

⁶⁰ Bank of Estonia. (2013). Lending Review. February 2013. <http://www.eestipank.ee/en/publication/lending-review/2013/lending-review-february-2013>

⁶¹ Source: Social Diagnosis 2013

⁶² Data in the paragraph are based on the Hypostat 2013 report of the European Mortgage Federation <http://www.hypo.org/Content/Default.asp?PageID=524>

⁶³ Source: indice Insee-Notaires, from Clévenot M (2011) "Les prix immobiliers en France: une évolution singulière".

⁶⁴ Source: ZBP (the Polish Bank Association)

⁶⁵ Source: National Polish Bank

⁶⁶ Source: Statistics Finland

the previous decade due to the real estate sector bubble, a gradual correction has been in progress since 2009. In particular, the residential property price index has been continuously declining since Q1 2009 (except for a period of stagnation in the first two quarters of 2010). In Q3 2013 it had declined at an annual rate of 7.2%. At the same time, interest rates for housing loans remained relatively high, between 5-5.5% in the Q3 2010-Q3 2013 period⁶⁷.

As regards to other indicators of activity in the housing market, in EE, the construction sector started showing signs of recovery in 2011⁶⁸. The number of transactions in the apartment market increased by 15% in Q2 2013, as compared to the previous year⁶⁹. And while the number of use permits for new residential housing issued in Q2 2013 was at the same level as in 2012, the number of building permits issued in Q2 2013 was 13% higher than in the previous year⁷⁰. In SE, a housing shortage is reported in 126 of the 290 municipalities, especially within the rental market⁷¹.

Trends in the take-up of selected social benefits

The prolonged crisis has led to an increased dependence on social transfers in some Member States. The SPC started an ad-hoc collection of administrative data on benefit recipients for different social schemes (unemployment, social assistance, early retirement and disability) in order to get timelier information on the pressure on social protection systems in the context of the economic crisis. In 2014 the SPC continued with this data collection which is very valuable for its timeliness, but needs to be assessed with due caution as it does not offer cross-country comparability due to the diversity of concepts and underlying definitions.

The following sections analyse the major trends registered in the year 2014 comparing to 2013 and also the general developments since the beginning of the crisis (2008). (Individual country trends regarding the number of benefit recipients can be found in the country profiles section of this report.) Contrary to last year, and although only indicative, the trends observed illustrate that **the pressure on social security systems has eased somewhat in 2014 across many EU Member States, although the number of benefit recipients nevertheless remains historically high in many countries.**

⁶⁷ Source: Central Bank of Cyprus

⁶⁸ Source: Statistics Estonia. (2012). Economic and Social Overview. Statistical Yearbook of Estonia, 2012. http://www.stat.ee/publication-download-pdf?publication_id=29873

⁶⁹ Source: Bank of Estonia. (2013). Financial Stability Review 2/2013. <http://www.eestipank.ee/en/publication/financial-stability-review/2013/financial-stability-review-22013>

⁷⁰ Source: Bank of Estonia. (2013). Financial Stability Review 2/2013. <http://www.eestipank.ee/en/publication/financial-stability-review/2013/financial-stability-review-22013>

⁷¹ Source: National Board of Housing, Building and Planning, 2013 (<http://www.boverket.se/Boende/Analys-av-bostadsmarknaden/Bostadsmarknadsenkaten-2013/Laget-pa-bostadsmarknaden/Vilken-typ-av-bostader-ar-det-brist-pa/>)

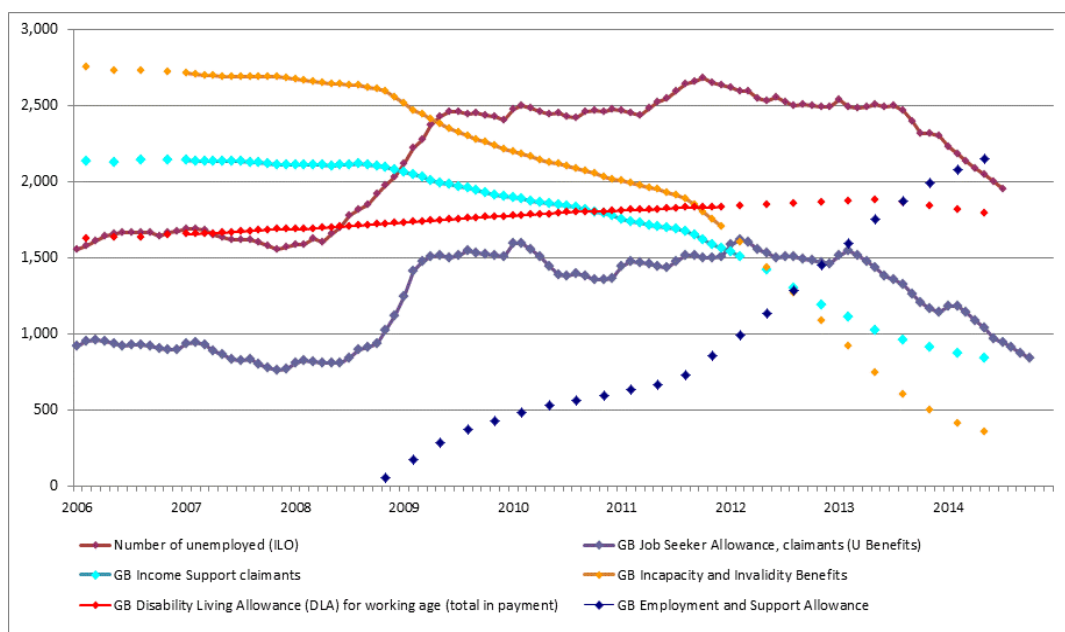
Signs of more positive trends emerging regarding the number of unemployment benefit recipients

With the slight improvement in the labour market situation in the EU and declines in unemployment levels in many Member States over the last year or so, there has been a slight easing in the pressure on unemployment benefit schemes across much of the EU. In 2014 around 2/3 of Member States recorded a persistent **decrease** in the number of unemployment benefit recipients as compared to 2013, generally mirroring the positive developments in the unemployment rate. Persistent increases were only registered in 4 countries (AT, FI, LV and NL).

Countries with downward trends in both unemployment benefit recipients and social assistance benefit recipients

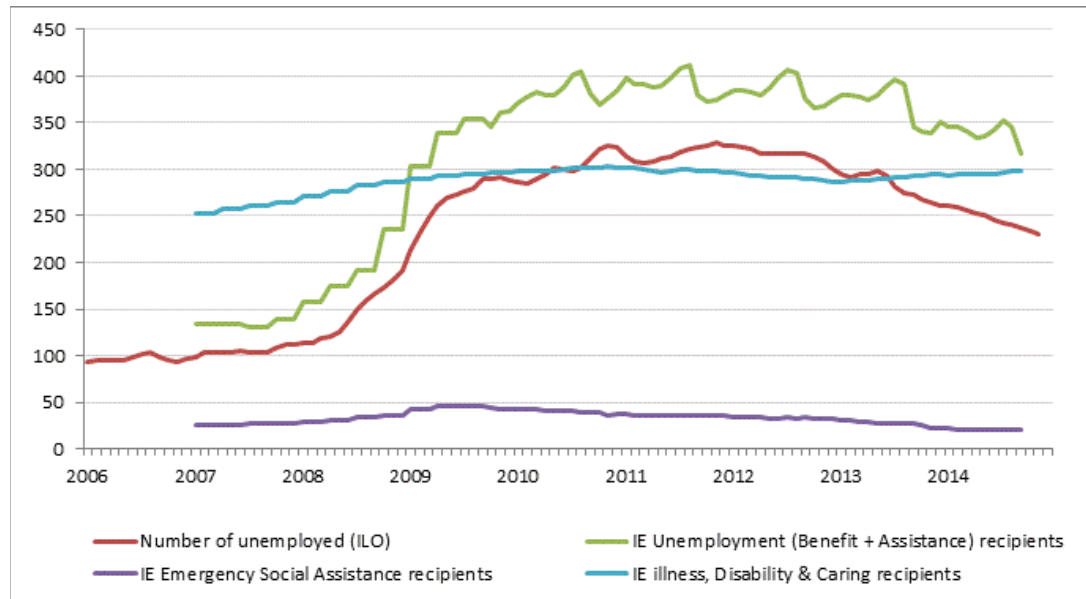
Overall, nine countries reported decreasing numbers of beneficiaries on both unemployment benefit and social assistance schemes. These included countries which have seen relatively stronger recoveries in their labour markets over 2014, including EE, ES, IE, PT, SK and the UK, as well as DK, LT and SE.

Figure 40. Evolution of the number of benefit recipients and number of unemployed (in 1000) – the example of the UK



Source: Data on number of unemployed from Eurostat (ILO definition, in 1000 persons, seasonally adjusted); data on number of benefit recipients collected from Member States through the SPC delegates

Figure 41. Evolution of the number of benefit recipients and number of unemployed (in 1000) – the example of IE

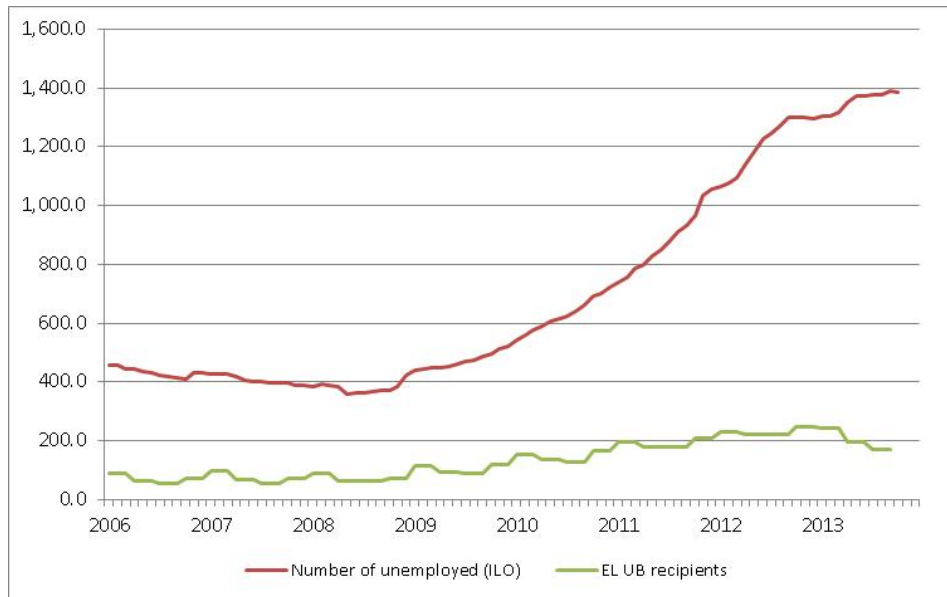


Source: Data on number of unemployed from Eurostat (ILO definition, in 1000 persons, seasonally adjusted); data on number of benefit recipients collected from Member States through the SPC delegates

Potential continued gaps in social benefits' coverage in some Member States

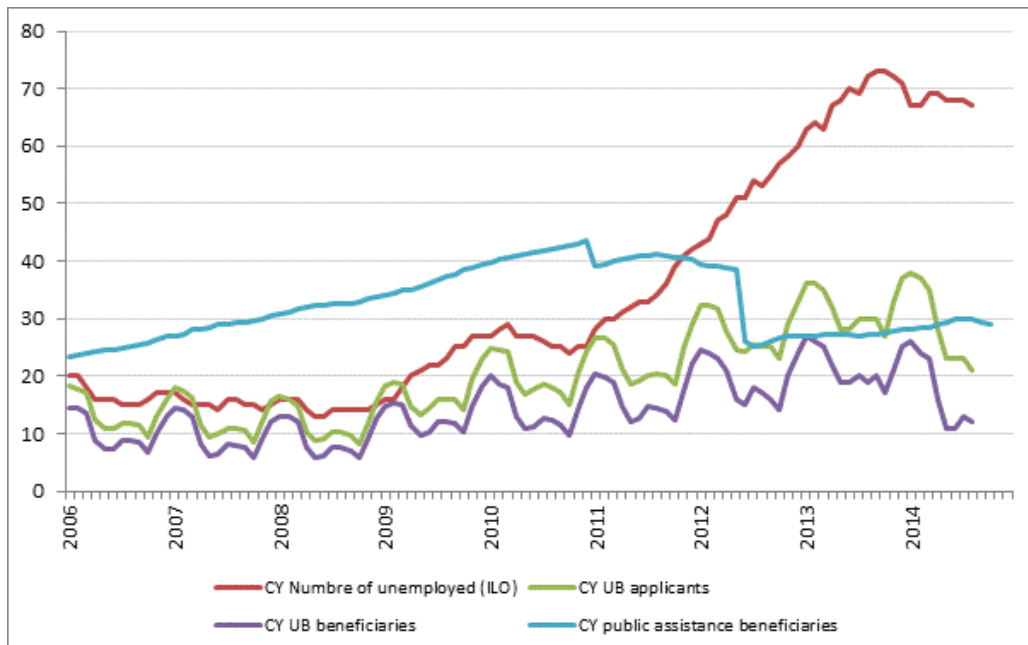
Notwithstanding the very latest developments, with the deterioration in the employment situation in many Member States in the years since the crisis hit and the growing number of unemployed and their longer stay in unemployment, more people are in need of social transfers. In some Member States, the growth in unemployment has not always been matched by similar trends in benefit recipients which may lead to a potential lack of social benefits coverage. This has especially been the case in countries such as EL and CY, and the mis-match remains substantial despite the recent slight easing in unemployment levels in these Member States. (However, in CY the decrease in take up of public assistance can be to some extent explained by a change in legislation for the creation of a lone parent benefit which are given by another service and as such are not shown in the figures of public assistance.) Similar mismatches between rising unemployment trends and benefit recipient levels since the crisis also seem to be present in BG, HR, SI, and to some extent in PT.

Figure 42. Evolution of the number of benefit recipients and number of unemployed (in 1000) – the example of EL



Source: Data on number of unemployed from Eurostat (ILO definition, in 1000 persons, seasonally adjusted); data on number of benefit recipients collected from Member States through the SPC delegates

Figure 43. Evolution of the number of benefit recipients and number of unemployed (in 1000) – the example of CY



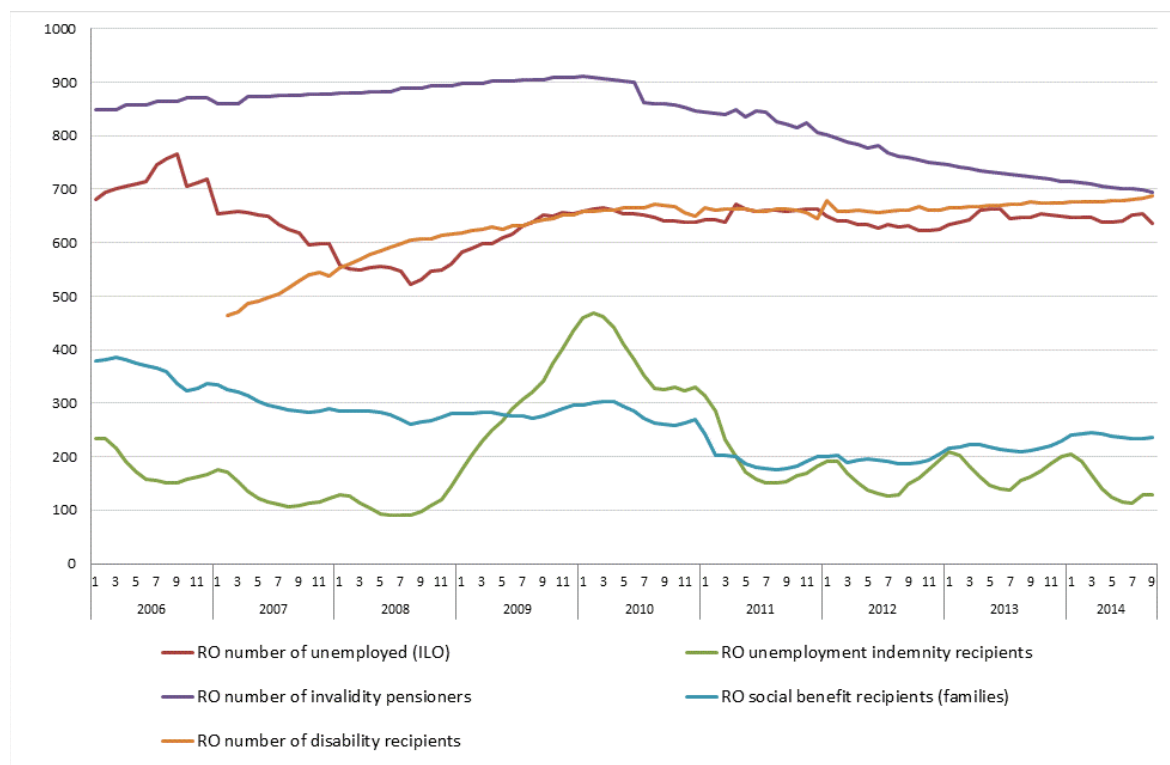
Source: Data on number of unemployed from Eurostat (ILO definition, in 1000 persons, seasonally adjusted); data on number of benefit recipients collected from Member States through the SPC delegates

More mixed developments in terms of the number of benefit recipients from social assistance schemes

While a large majority of Member States recorded a persistent decrease in the number of unemployment benefit recipients as compared to 2013, the picture with regard to the number of recipients of social assistance was more mixed. In 2014 around half of Member States recorded a persistent decrease in the number of social assistance benefit recipients as compared to 2013, while around a third recorded continued increases.

Among the latter, some countries are showing a shift from the use of unemployment benefit towards increasing social assistance. For example, despite little change in the level of unemployment over the last year, Romania saw a decrease in unemployment beneficiaries together with an increase in social assistance recipients. This could suggest there is movement from unemployment benefits to social assistance schemes perhaps due to rising long-term unemployment or shortened lengths of unemployment benefit receipt. This movement increases pressure on social protection systems.

Figure 44. Evolution of the number of benefit recipients and number of unemployed (in 1000) – the example of RO



Source: Data on number of unemployed from Eurostat (ILO definition, in 1000 persons, seasonally adjusted); data on number of benefit recipients collected from Member States through the SPC delegates

III. Examining the 2013 social trends to watch

In last year's annual report, the Social Protection Performance Monitor (SPPM) identified four main trends to watch for 2013 – the rise in income inequality, the increase in the depth of poverty, the worsening situation in long-term labour market exclusion and the rising exclusion of youth (SPC, 2013). The SPC undertook in-depth thematic reviews on the situation and policy measures tackling depth of poverty, youth exclusion and long-term labour market exclusion in the second half of 2014 and early 2015. The following thematic sections give a summary of these reviews and provide some key conclusions in terms of the effectiveness of policy measures in addressing these challenges. The thematic review on the trend to watch regarding income inequality will be conducted in 2015.

Key messages from the thematic in-depth reviews

Based on the thematic reviews which the SPC undertook on the 2013 social trends to watch – youth exclusion, long-term exclusion from the labour markets, and depth of poverty, the following main policy conclusions are to be considered:

- In the context of high and persistent unemployment among young people and the related risks of youth exclusion, social protection systems have an important role to play in supporting labour market integration and helping young people to bridge difficult periods of transition from education and training to work and employment of progressively higher quality. The in-depth review made clear that further exchange on the efficiency and effectiveness of the different approaches is needed.
- Long-term unemployed people form a heterogeneous group with specific and different obstacles such as health concerns, difficulty in reconciling work and family life, social problems, or lack of skills. Alongside labour supply measures, understanding the profile of the target population is crucial to effectively implement policies and support their sustainable re-integration into the labour market. Measures need to take a comprehensive approach, tailored around individual needs in order to be effective, including targeted activation, adequate income support and enabling services.
- Drivers behind severe poverty and social exclusion are multiple; they can vary across an individual's life-cycle and are closely related to the wider economic and labour market context. Comprehensive, needs-driven, preventive and individualised approaches can contribute to avoiding and alleviating poverty and social exclusion in an effective and sustainable manner. Social investments are part and parcel of such approaches by targeting specific needs arising across the life-cycle, ensuring adequate income support and providing access to quality enabling services, supporting individuals in critical transitions.

1. Social protection and youth exclusion in the EU

1.1 Introduction

The social and economic situation of young people in Europe has worsened during the last years: youth unemployment reached record high levels in 2013, the number of young people disengaged from employment, education and training has increased and more young people experience poverty and social exclusion. While unemployment rates in Europe start to decrease, youth unemployment remains high and many young people remain in low paid, low quality jobs often of involuntary temporary nature. Young people seem not to profit from first signs of economic recovery.

Young people are among those most severely affected by the crisis. Already pre-existing structural disadvantages on the labour market and changed patterns of transitions from education to work have weakened the social situation of young people and increased their vulnerability. Nowadays, the risk-of-poverty rate of young people is the highest among all age groups; the crisis accelerated trends which were visible already before 2008.

Youth exclusion was identified by the SPC as one of the social trends to watch for 2013 and as such was chosen as a subject to a thematic review in the course of the second half of 2014⁷². While the major focus of the discussion related to the youth unemployment problem in Europe has been on what employment policies can do, the implications for social protection systems are also considerable and need due attention. This thematic review is an exploratory discussion on this subject, building on the thematic focus of the 2014 National Social Reports, and considering the fact that only few Member States have started to experiment with comprehensive approaches to address the challenges of young people nowadays.

The present note aims at providing a brief overview of the current situation, focusing on young people between 15 and 29 years old in order to cover the period marked by the transition from education to work, finding a first more permanent employment and gaining independence from parents. As far as possible, it will outline policy responses in Member States and raise attention to the existing gaps in the social protection of young people, using the information received through the thematic reporting in the context of the 2014 National Social Reports.

We would like to especially thank Eurofound for their contribution to this background paper.

⁷² SPC (2014) Social Europe: Many ways, one objective. Annual report of the Social Protection Committee on the social situation in the European Union (2013)
<http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7695&type=2&furtherPubs=yes>

1.2. Recent trends and future challenges

Looking at a set of key social and employment indicators (including SPPM indicators)⁷³ for young people provides a rather daunting picture:

- The unemployment rate of young people between 15 and 29 years in the EU increased from 12 % in 2008 to 18.7 % in 2013. The unemployment rate for the 18-24 year olds was with 23.3 % in 2013 even higher. The youth unemployment ratio increased from 7.0 % in 2008 to 10.6 % in 2013 (age group 15-29)⁷⁴. Overall, there are nearly 7 million young people less in employment today compared to 2008⁷⁵.
- The number of young people (15-29) not in employment, education or training increased from 13 % in 2008 to 15.9 % in 2013.
- The rates of early school leavers⁷⁶ decreased at the same time from 14.7 % in 2008 to 11.9 % in 2013, but although it represents good progress compared to 17% in the early 2000s, there is much reason to assume that the reduction of early school leaving is at least partly an effect of the lack of employment opportunities for young people. The OECD estimates that 30-40% of early school leavers risk facing persistent difficulties in accessing stable employment, with risks of marginalisation over time.
- 29.7 % of young people aged 15-29 were at risk of poverty or social exclusion in 2012, compared with 26.2 % in 2008⁷⁷. Poverty rates for young people are higher than poverty rates for the total population (24.5 % in 2013). They also depend on the living situation of young people: young people not living anymore with their parents are more exposed to the risk of poverty and social exclusion (27.6 % vs. 33.1 % in 2012).⁷⁸

The deterioration of their social and employment situation is perceived as an overall marginalisation of young people. Independently from their own personal social and economic situation, more than 50 % of young people, aged 16 to 30, in the EU have the feeling that young people have been marginalised in their country as a result of the economic crisis⁷⁹.

⁷³ Please note that the SPPM focusses on young people from 18-24; this paper has widened the perspective to provide a more comprehensive view on the situation of young people in Europe. More detailed data are annexed to this paper.

⁷⁴ The youth unemployment rate is the number of those unemployed (15-29) divided by the total number of young people (15-29) in the labour market (employed plus unemployed). The youth unemployment ratio divides the number of unemployed young people (15-29) by the total population aged 15 to 29. It thus gives an unemployment-to-population measure. The size of the youth labour market (i.e. the size of the young labour force) does not trigger effects in the youth unemployment ratio, contrary to the unemployment rate.

⁷⁵ Eurostat, yth_empl_010, accessed 04.09.2014

⁷⁶ Early school leavers are defined as persons aged 18 to 24 fulfilling the following two conditions: (1) the highest level of education or training attained is ISCED 0, 1, 2 or 3c short, (2) no education or training has been received in the four weeks preceding the survey. The reference group to calculate the early school leaving rate consists of the total population of the same age group (18 to 24). All measurements come from the EU Labour Force Survey (LFS).

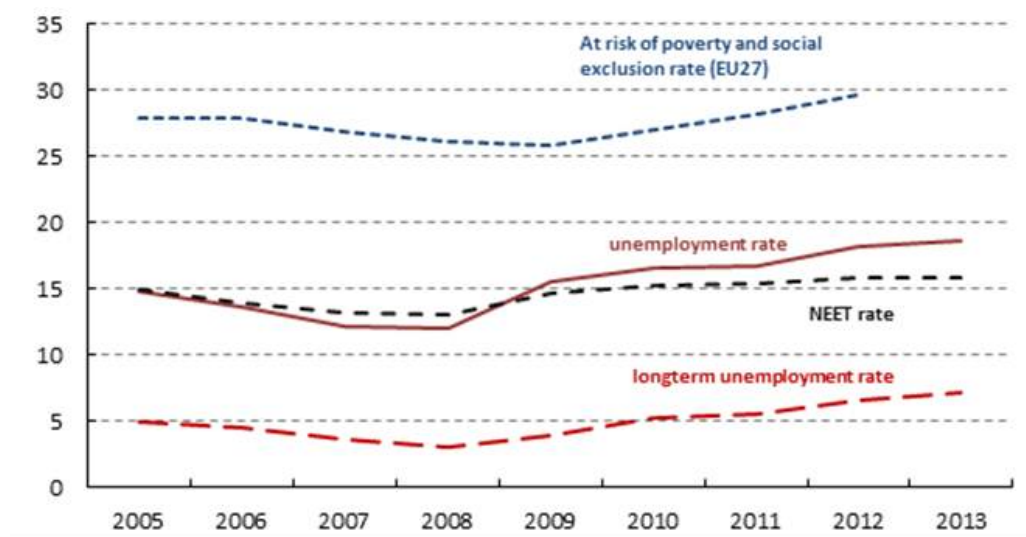
⁷⁷ Data available for EU27 only

⁷⁸ Eurostat, yth_incl_010 and yth_incl_030, accessed 23.10.2014; no data available for 2013

⁷⁹ Flash barometer of the European Parliament (EP EB 395), European Youth in 2014, analytical synthesis, p.7

Before looking at social protection of young people in more detail, the paper will summarise the main factors contributing to the vulnerability of young people and hinting to the underlying structural challenges in the social protection of young people.

Figure 45: EU 28 trends in key youth exclusion indicators, 15-29 age-group



Source: Eurostat (accessed 21.02.2014), indicators: *yth_incl_010*, *yth_empl_100*, *yth_empl_120*, *yth_empl_150*, age group 15-29; Eurofound calculations

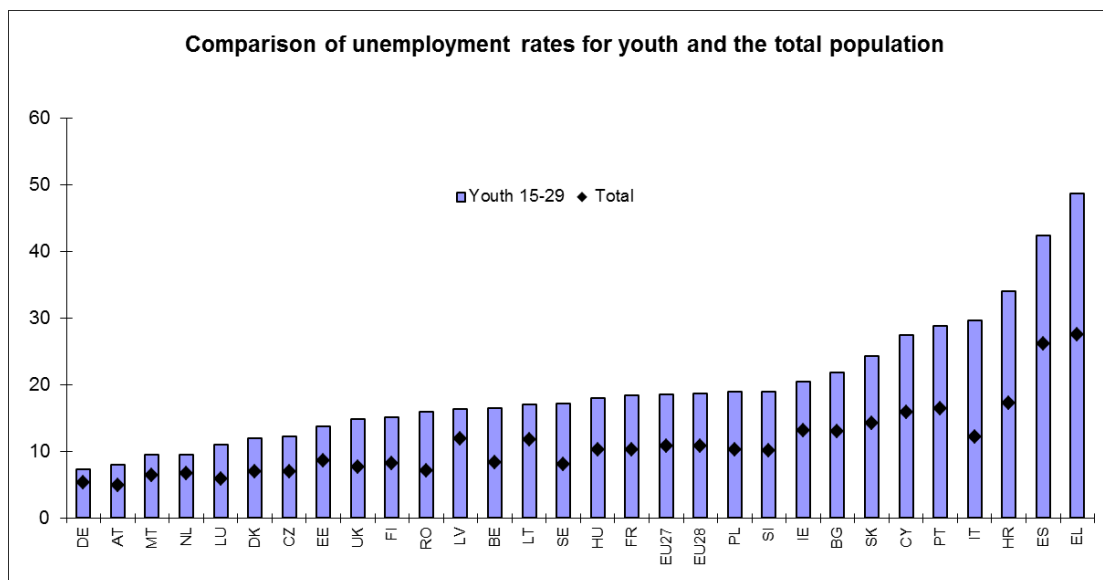
1.3 Youth employment

Country differences in youth unemployment are large, ranging from 48.7 % in Greece and 42.4 % in Spain to 7.3 % in Germany or 8 % in Austria. Many countries with high youth unemployment rates face also above average long-term unemployment rates among young people and a high number of young people being neither in employment, nor education or training (NEET). Both indicators underline the degree to which labour markets are under pressure and cannot provide employment to young people. Nevertheless, also structural factors may contribute to high long-term unemployment or inactivity of young people.

- Long-term unemployment: 7.1 % of the 15 to 29 year olds in the EU were unemployed for more than one year. Rates were particularly high in Greece (29.1 %), Croatia (18.4 %), and Spain (17.8 %). The countries facing high rates of long-term unemployment among young people were also confronted with high rates of long-term unemployment for other age groups. But across all European countries, young people are significantly more affected by spells of long-term unemployment than the average population (5.1 % in 2013).

- Long-term unemployment for young people is often linked to the lack of qualifications and skills, especially for those below 18 years old⁸⁰. But also young people aged 25-29 years (6.3% were long-term unemployed in 2013) are more affected by long-term unemployment than the overall population in working age. Variations between countries can be expected with increasing long-term unemployment rates also for better qualified young people in some European countries.

Figure 46. Comparison of unemployment rates for youth and the total population



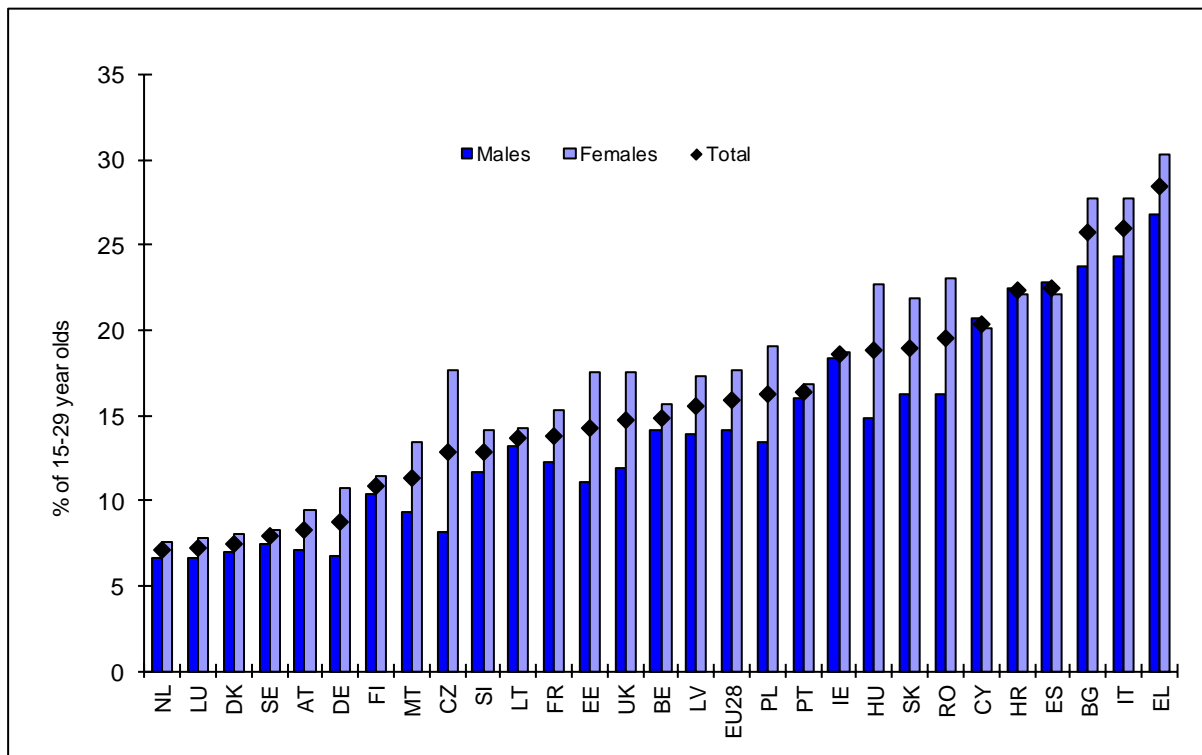
- Not in employment, education or training: 15.9 % of all young people aged 15 to 29 were in 2013 neither in employment, education nor training. Highest rates were recorded by Greece (28.5 %), Bulgaria (25.7 %) and Spain (22.5 %). With regard to gender, education level, previous work experiences and skills, there are big variations between countries. These differences are strongly linked to the specific labour market conditions of young people.

A recent Eurofound study on NEETs pointed out that "young people with low levels of education are three times more likely to be NEET than those with tertiary education. Young people with immigration background are 70% more likely to become NEET than nationals. And young people suffering from some kind of disability or health issue are 40% more likely to be NEET than those in good health." In addition, females are more likely than males to be NEET (in 2013 13.9% for males vs. 17.7 % for females).⁸¹

⁸⁰ See: Employment and Social Developments in Europe 2012, p.84

⁸¹ Eurofound (2012) NEETS – Young people not in employment, education or training, Luxembourg.

Figure 47: NEETs rates by gender, 2013



Young people are over-represented in temporary and part-time work with less on-the-job training, lower wage levels and poorer long-term employment and career prospects. In 2013, 31.5 % of young employees (15 to 29) were working on a temporary contract and 32.4 % part-time.

- Countries with the highest levels of temporary work among young people were in 2013 Poland (50.6 %), Spain (49.3 %) and Slovenia (48.6 %). But also in Portugal, the Netherlands, Germany and France more than one third of the 15 to 29 years old have only temporary work contracts. While this might be less problematic in periods of transition from education or training to work, temporary work is also prominent among young people above 24 years old. In Spain, Poland, and Portugal, more than 40% of all 25 – 29 year olds work on a temporary contract, affecting also those having finished their education since several years and wanting to start an independent life.⁸²
- Countries with the highest level of part-time work among young people in 2013 were the Netherlands (63.2%), Germany (51.2 %), and Sweden (36.7 %). Here many young people combine education or training with employment and work voluntarily part-time. In the Netherlands, Germany and Denmark more than 50 % of the young people working part-time indicated in 2013 that they are still in education or training.

⁸² Eurostat, yth_empl_050, accessed 23.10.2014

Nevertheless, one third of all young people in the EU working part-time indicated in 2013 that they work part-time involuntarily. Overall there is a worrying trend of more young people working part-time because of the unavailability of full-time employment: in 2008 29.6 % indicated this as a reason for working part-time, in 2013 already 34.2%.⁸³

Recent data from OECD indicate that non-standard work can be a stepping stone to standard work contracts but young people seem to profit less from that than older employees, independent from their education level.⁸⁴ Young people experience both structural and cyclical difficulties in entering the labour market. Structural difficulties are especially pronounced for those lacking sufficient qualifications and not having completed upper secondary education. But the crisis also increased the difficulties of those with medium or high level of qualifications. And it prolonged the time until young people can hope to enter into permanent or at least longer-term work contracts with wages sufficient to start an independent life.

1.4 Poverty and social exclusion of young people

As a consequence of the precarious work situation of young people and the often difficult socio-economic situation of their families, youth is nowadays the group most at risk of poverty and social exclusion (closely followed by children under 16 years of age). The contrast with older people aged 65 and older is particularly stark and the gap between both groups has increased in the majority of countries in recent years. Across the EU 27, the gap has widened from a 2.9 percentage point difference in 2008 to a 10.5 percentage point difference in 2012.

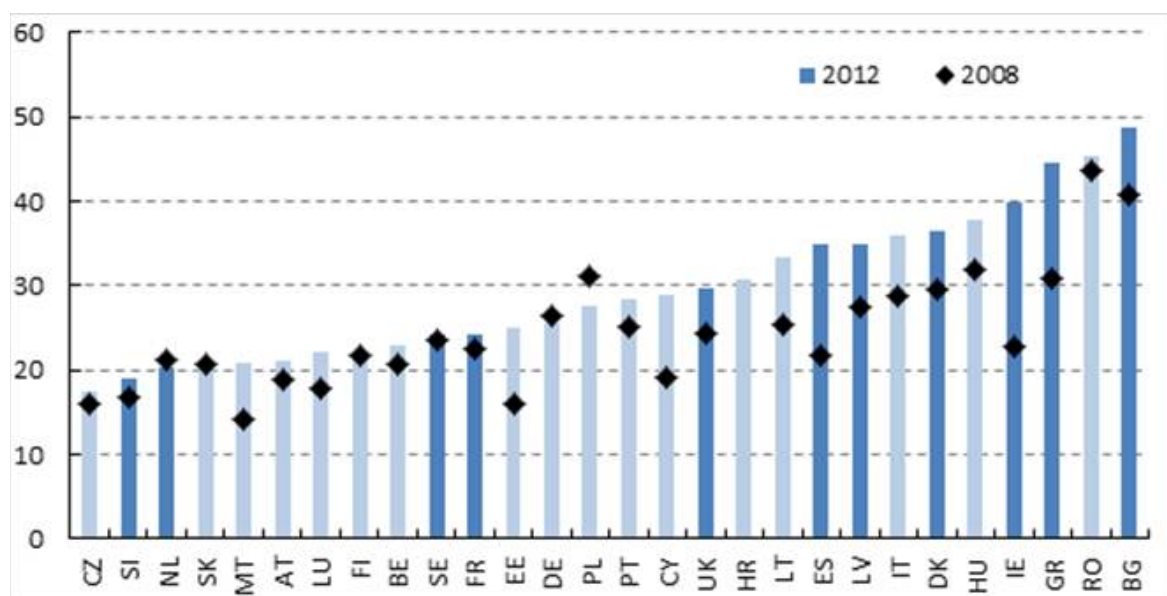
Structural challenges such as limited access to the labour market and to social protection seem to determine the situation of young people and be responsible for the growing gap on risk of poverty and social exclusion as compared to other age groups. The concrete situation of young people varies strongly in relation to their access to labour market, level of education, living conditions and access to different types of benefits and services. OECD data show that the large majority of poor youth is in education or in employment. Youth poverty rates across countries are strongly associated with household composition and if young people live alone or with their parents⁸⁵. More research is needed to identify the main triggers for increasing poverty rates especially among young people and in comparison to other age groups.

⁸³ Eurostat, yth_empl_070, accessed 23.10.2014

⁸⁴ Joint OECD-EU project: Jobs, inequalities and wages,

⁸⁵ OECD (2013) Social policies for youth: Bridging the gap to independence, p.10.

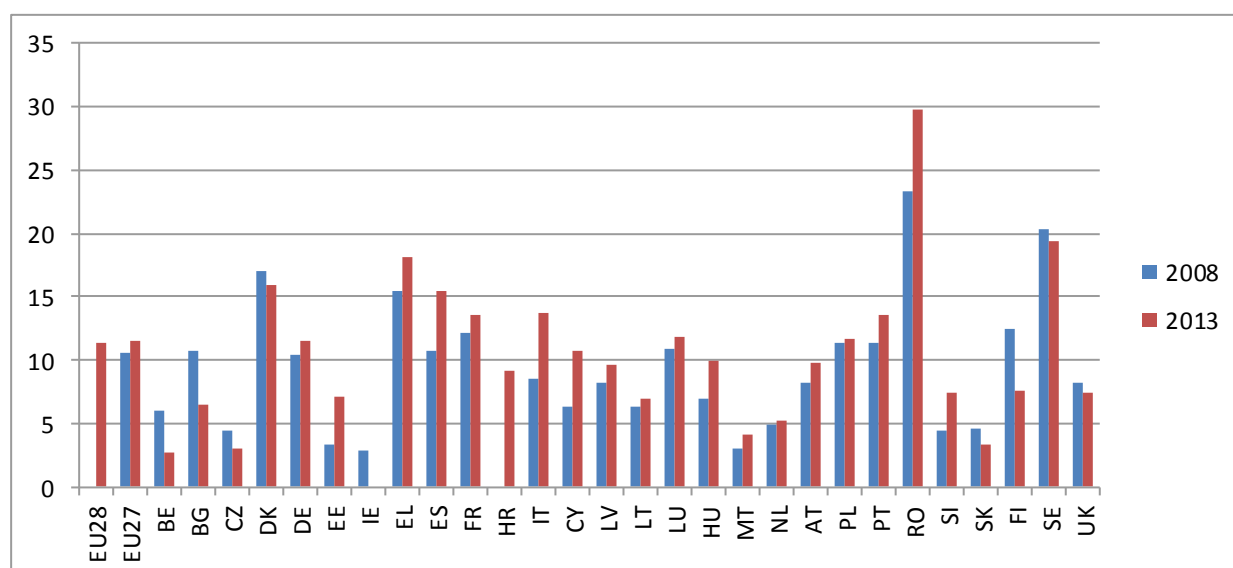
Figure 48. Share of young people at risk of poverty or exclusion, 15-29



Source: Eurostat (accessed 04.09.2014), indicators: yth_incl_010, no data for HR for 2008.

In-work poverty of young people has increased from 8.6% in 2008 to 9.5 in 2012; countries with highest rate of in-work poverty among young people were in 2012 Romania (20.9 %), Denmark (17.1 %) and Greece (14.4 %). These and also other countries faced increases in the in-work risk of poverty of young people during the last years due to the overall deterioration of working conditions of this age group.

Figure 49. In-work at-risk-of-poverty-rate of young people (18-24 years old)



In addition, projects and measures targeted at the social inclusion of young people and especially of young people with multiple problems were affected by austerity measures. 16 Member States reduced expenditure in education during 2008 and 2011, including cuts on the average investment in education per school student⁸⁶. Also youth work was affected by budget cuts in many Member States. Cuts in public spending for youth work have often been accompanied by attempts to target it more to the needs of disadvantaged young people, in order to tackle the negative impacts of the crisis. This had a strong impact on the character of youth work with an increasing focus on fostering the employability of young people. More universal youth work, for all young people and looking more broadly at youth participation and civic engagement, struggles increasingly to get public funding⁸⁷.

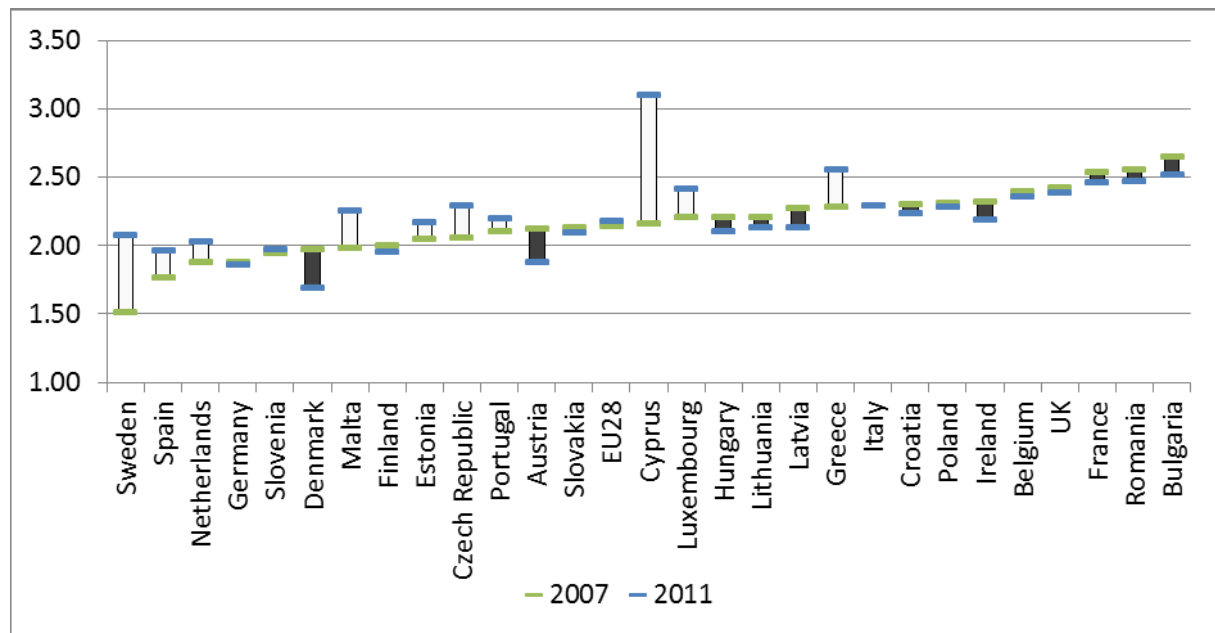
Looking at the perceived social exclusion among young people completes this picture. The perceived social exclusion index is based on Eurofound's European Quality of Life Survey (EQLS). The index measures the extent to which young people actually feel excluded, based on responses to several questions⁸⁸. In 2011, the lowest levels of perceived social exclusion were found among young people in Denmark, Germany, Austria and Finland and the highest in Cyprus, Greece, Bulgaria and Romania. In most Member States young people did not feel on average more socially excluded in 2011 than in 2007, but in some countries such as Cyprus, Sweden and Greece there has been a significant increase (see Figure 50).

⁸⁶ Cuts in education expenditure were significant during this period in EE, IE, LV and HU as well as in BG, EL, IT and RO where spending levels in relation to the GDP were already low and have been cut further. DK, ES, CY, LT, PL, PT, SK and UK made cuts at some stage between 2008 and 2011 which is reflected in a reduction of education spending as a percentage of GDP in 2011. Education and Training Monitor 2013, p.14 (http://ec.europa.eu/education/lifelong-learningpolicy/progress_en.htm).

⁸⁷ Working with young people: the value of youth work in the European Union, study commissioned by the European Commission 2014, p.102f (http://ec.europa.eu/youth/library/study/youth-work-report_en.pdf)

⁸⁸ The perceived social exclusion index refers to the overall average score from responses to the four statements: 'I feel left out of society', 'Life has become so complicated today that I almost can't find my way', 'I don't feel that the value of what I do is recognised by others', 'Some people look down on me because of my job situation or income', where 1 = 'strongly disagree' and 5 = 'strongly agree'.

Figure 50. Perceived social exclusion of young people by country, 2007 and 2011



Source: Eurofound, based on the EQLS social exclusion index

Unemployment, poverty and social exclusion impact on the life of young people in many ways and often long-term. They limit access to education and training, to quality services and to housing. They reduce young people's opportunities to participate in public life, reduce self-esteem and subjective well-being and can lead to stigmatisation

1.5. Risk factors

Factors that increase the risk of poverty and social exclusion are multiple and some young people are more vulnerable than others. Amongst them are young people with migration background or from ethnic minority groups; Roma; those with lower educational levels; homeless or those at risk of homelessness and young people with health conditions or disabilities⁸⁹.

Migration: In 2012, 44% of the young people between 16 and 29, which were born abroad, were at risk of poverty and social exclusion, compared to 28.3 % among native young people⁹⁰. Young migrants face more difficulties and discrimination on the labour market; their unemployment rate

⁸⁹ See EACEA (2013), *Youth Social Exclusion and Lessons from Youth Work, Evidence from Literature and Survey*, http://eacea.ec.europa.eu/youth/tools/documents/social_exclusion_and_youth_work.pdf accessed 22.02.2014) and EC (2012), *Social Inclusion of youth on the margins of society, policy review and research results*, Luxembourg, Publication Office of the European Union, http://ec.europa.eu/research/social-sciences/pdf/social-inclusion-of-youth_en.pdf (accessed 22.02.2014).

⁹⁰ Eurostat, yth_incl_020, accessed 23.10.2014

is higher. In most countries they also have higher early school leaving rates; in some countries the rate of early school leavers among migrant youth is more than double the rate of native youth.⁹¹

Gender: In 2012, also the rate of young people at risk of poverty and social exclusion differed according to gender with more females at risk of poverty and social exclusion⁹². It coincides also with the higher NEET rates for females compared to males (in 2013 13.9% for males vs. 17.7 % for females). The reasons for these differences are manifold (e.g. including care responsibilities for siblings or own children) and the diversity of NEETS has been reported frequently. In general, transition from education to work appears to be more complicated for young women than for young men, despite the fact that young women are often better educated, have lower rates of early school leaving and achieve better results in tests such as PISA.

With regard to employment, trends have been partly reversed during the crisis, which affected men to a greater degree and the unemployment rates among men rose to a higher level than among women. This is most likely an illustration of the recession which had a biggest impact on sectors with predominantly male workforce. In November 2013 the EU 28 male youth unemployment reached 23.9% compared to female youth unemployment rate of 22.8% (Eurostat). Again there are some country difference with male unemployment rates higher in UK or Ireland and Mediterranean countries (except Spain) where females are more exposed to unemployment. Belgium, Malta or Netherlands present a more balanced situation.

Education level and skills: Low levels of education (maximum lower secondary education⁹³) correspond generally with higher unemployment rates. The unemployment rate for young people with only lower secondary education was of 30% in 2008, since 2008 it has increased by 10.5 percentage points. The unemployment rate for young people with upper secondary or higher education increased from 2008 till 2013 by 7.4 percentage points to 17.1%.

However, since the onset of the crisis the higher level of education can no longer be seen as a protection against unemployment even though those with lowest education (primary education) were most hit, with most pronounced increases observed in Ireland, Greece and Spain. The unemployment rates of those with tertiary education are high in Greece, Spain, Romania, Portugal and Italy with the situation worsening during the crisis. In addition, the number of those with tertiary education that became unemployed increased from 5.5% in 2007 to 18% in Ireland. Rates remained stable in Belgium and France. It seems that the tertiary education is a strong protector against unemployment in Netherlands, but also Czech Republic, France and UK (Eurofound 2012).

Skills mismatches account partly for the difficulties of highly educated young people to enter the labour market. Overall, vocational education systems with a strong component of work-based

⁹¹ Education and Training Monitor 2013 p.27 (http://ec.europa.eu/education/lifelong-learningpolicy/progress_en.htm).
See also: Reducing early school leaving: Key messages and policy support. Final Report of the Thematic Working Group on Early School Leaving (in the context of Education and Training 2020), November 2013, http://ec.europa.eu/education/policy/strategic-framework/doc/esl-group-report_en.pdf

⁹² 2012 AROPE for 15-29 years old: 29.7 % in total; 28.9% for males, 30.5 for females.

⁹³ ISCED 1997 0-2

learning have been more successful in supporting young people in their transition from education and training to work.

Furthermore participation in lifelong non-formal learning activities can also be an indicator of inclusion. 8.8% of young people aged 15-29 reported to take part in them in 2012. Again here, vast country differences exist. While around a third of young people took part in non-formal learning activities in Denmark (33.1%) and Sweden (28.6%), less than one per cent reported to take part in them in Romania and Bulgaria⁹⁴.

Health: Bad health is increasingly seen as a factor in social exclusion. In addition, inactivity and unemployment, especially long spells of unemployment have detrimental effects on people's health including mental wellbeing. When it comes to the health status of young people (16-29), 8.1% reported to perceive their overall health as fair, bad or very bad in 2011 across the EU28.

While cross-country differences of self-perceived health status are difficult to interpret due to social and cultural factors influencing the response⁹⁵, analysing differences within countries is more meaningful. The health status of young people within the lowest income quintile is lower than those in the highest quintile in all EU Member States, with the exception of Greece and Ireland. The gap between these two groups with regards to reporting fair, bad or very bad health status can be larger than 10% (in 2011: Portugal and Slovenia). According to the European Quality of Life Survey (EQLS), although the level of psychological well-being of young people is generally higher than in the total population, unemployed and inactive young people give a comparatively low rating for their subjective well-being⁹⁶. Young people have significantly better-than-average mental well-being everywhere in Eastern Europe and in some southern European countries (especially Bulgaria, Greece, Romania and Slovenia) but for instance in Sweden young people score six points lower than the average population on the WHO scale⁹⁷.

1.6 Future challenges

Experiencing unemployment and poverty has long-term consequences for young people. Especially young people with only lower secondary education might be confronted with recurring spells of unemployment due to their lack of skills and work experience and their limited chances to improve skills on-the-job⁹⁸. Studies show that the experience of unemployment has more negative consequences for young people than for people in later phases of their careers⁹⁹. Long-term

⁹⁴ Eurofound, Social inclusion of young people, forthcoming

⁹⁵ OECD (2010). *Health at a Glance: Europe 2010*, OECD Publishing: p. 44, http://dx.doi.org/10.1787/health_glance-2010-en (accessed 24.02.2014).

⁹⁶ Eurofound, *op.cit.*

⁹⁷ *Ibidem*

⁹⁸ Eurofound (2012), NEETs – Young people not in employment, education or training: characteristics, costs and policy responses in Europe, OPOCE, Luxembourg. See also: Overview and examples of costs of early school leaving in Europe. Report of the Thematic Working Group on Early School Leaving, http://ec.europa.eu/education/policy/strategic-framework/doc/europe-esl-costs_en.pdf

⁹⁹ David N.F. Bell, David G. Blanchflower (2010): Youth Unemployment: Déjà Vu? (<http://www.dartmouth.edu/~blnchflr/papers/Youth%209-1.pdf>)

unemployment and detachment from the labour market and education and training increase the risk of poverty and social exclusion in later life. Gaps in employment and limited work experience can lead to a lower rate of pay, a reduced number of accrued social entitlements and in consequence long-term pay losses¹⁰⁰.

Accelerated by the crisis, many young people find themselves more often and involuntarily in non-standard work contracts. They are more often than in the past confronted with interruptions in their career or forced to change career paths. This influences their contribution history to social security systems and pension schemes. They risk facing lower pension entitlements and an increased poverty risk at later age.

For the individual, but also for the social security systems and for society as a whole these developments will create challenges for the future. More research on this is needed. While many of the current challenges are a consequence of the crisis and its direct impact on youth unemployment, long-term changes in career patterns with extended periods of education and training, more complex transition periods and less predictable career paths also play a role. Policies might need to respond not only to the short-term impact of the crisis and its effects on young people, but also address the structural challenges behind the current peak in youth unemployment and youth exclusion and the societal consequences of prolonged education periods and prolonged and more diversified transitions from education and training into employment and an increase of part time, temporary work.

1.7 Social inclusion and social protection of young people – policies and practices

Most Member States have policies and initiatives in place to prevent and address youth unemployment, low educational achievement and early leaving from education and training and also particularly difficult situations of individual young people. Countries also try to create comprehensive approaches in addressing the often multiple problems of young people and trying to break the vicious circle of social disadvantage, low educational achievements and limited opportunities to find employment.

If education and training of young people takes longer, transition from education to work becomes increasingly difficult, people change jobs and careers more often, work more on temporary jobs, and experience more often spells of unemployment, this has implications for the social protection of young people, which deserve due attention.

¹⁰⁰ Eurofound (2012), NEETs; SPC (2013), Social Europe-Many ways, one objective. Annual Report of the Social Protection Committee on the social situation in the European Union, p.41.

1.7.1 Individual support and structure-related measures

A review and analysis of policies and initiatives for the social inclusion of young people, conducted by Eurofound in the context of its project on the "Social inclusion of young people", distinguished existing measures into 'individualising measures' and 'structure-related measures'¹⁰¹. Currently the majority of measures taken by Member States are individualising measures, addressing the individual capacities of young people to cope with labour market and societal demands. Structure-related measures, addressing either socio-economic aspects or institutional set-up of youth transition are less frequent.

A wide range of actors is involved in policies and initiatives for young people including public organisations at national, regional or local level, but also often private non-profit organisations. Especially the individualising measures and initiatives are often funded on a project-basis, lacking permanent structures and stable financing. They are normally addressed to specific groups of young people (e.g. NEETs), providing them with targeted individual support. Many of them respond well to the needs of young people facing multiple challenges and requiring comprehensive support to enter the labour market, but also concrete support in dealing for example with dysfunctional family settings, social and financial problems.

At the same time, project-based individualising measures and initiatives do not respond to the structural disadvantages young people face on the labour market. They do not address the long-term consequences of youth unemployment and changed patterns in transition from education and training.

The crisis and its substantial impact on the social situation of young people has presented us with the question of whether the European social protection systems are well prepared to address the specific needs of young people. Besides providing sufficient assistance to individual young people, they need to compensate for a possibly prolonged youth exclusion from the labour market and its long-term consequences such as lack of investment in skills development, foregone contribution periods to social security and limited benefit entitlements.

Young people can receive different types of benefits, depending on their circumstances. Besides minimum income support and unemployment benefits, as described in more detail below, they might be entitled to disability benefits, housing benefits or family benefits and child care allowances. For the OECD countries, data indicate that for young people living in low-income households and for those with no work experience, social assistance, housing and family benefits play a key role. In 2011 it was estimated that for all young people, independent from their working

¹⁰¹ 'Individualising measures' address individual capabilities to cope with labour market and societal demands such as coaching programmes or training courses for low skilled young people. 'Structure related measures' address either socio-economic aspects or the institutional set-up of youth transitions. They might develop infrastructures for young people or unlock barriers to the social inclusion of young people with the help of financial assistance. Eurofound (2014), Review and analysis of policies and initiatives for the social inclusion of young people, p.57.

status or involvement in education and training, family benefits played a crucial role in income support.¹⁰²

This focus here is primarily on minimum income and unemployment benefits. The role of the different types of benefits in preventing the risk of poverty and social exclusion and in reacting to the impact of the crisis on young people in the EU would require further research.

1.7.2 Inclusive approaches to the Youth Guarantee

The Youth Guarantee is an important policy initiative for addressing youth unemployment, aiming to provide all young people with a job or training opportunity within four months following their registration to the PES. In its character, it is both an 'individualising measure' addressing the individual capacities of young people and a 'structure-related measure' by re-organising the employment and other services for young people and providing better support to all young people.

Some countries placed the Youth Guarantee already at the core of their strategies (PT, AT, BG, HR, LT, PL and RO among others). Looking at Youth Guarantee Implementation Plans in Member States confirms also that the concept of the Youth Guarantee has the potential to foster comprehensive approaches in addressing young people, including outreach activities to those furthest away from the labour market and not yet registered with the PES or any other service. An inclusive Youth Guarantee concept can address the needs of young people with multiple disadvantages and combine social support, targeted education and training measures and assistance in finding employment. It can be understood as a social investment approach by addressing the specific problems of individual young people at a decisive phase in their life, preventing or at least reducing the risk of social exclusion in future and shaping social services accordingly.

Outreach activities and easy access to services are key. One-stop-shops for young people can avoid that services are scattered, have conflicting requirements on young people and are inefficient in their results. E.g. the Youth Employment Agency in Hamburg, Germany¹⁰³ combines the public employment service, social services, educational authorities and local authorities.

1.7.3 Access to minimum income support

In most Member States, access to income support is granted to all people fulfilling the basic eligibility criteria. The aim is guaranteeing a minimum decent living standard for people on low or no income. In general, there is no conditionality related to age or previous attachment to the labour market. With sometimes important exceptions, young people who are outside the labour market have access to this type of benefit.

¹⁰² OECD (2013), Working Party on Social Policy, "Social Policies for Youth: Bridging the Gap to Independence", p77ff.

¹⁰³ Jugendberufsagentur; <http://www.hamburg.de/jugendberufsagentur/ueber-uns/>

In several countries (IE,UK, NL), the amount of income support depends on age and/ or living conditions, making a difference between different age groups and between different family situations such as living in the parents' household or having responsibility for a child.

Link between income support and activation measures: In Ireland young people engaged in training programmes can receive higher rates of income support. In the Netherlands, young people have to proof that they tried to find work before they are entitled to receive income support. In Sweden, municipalities may require young people to participate in activation measures when receiving benefits. In Austria, specific emphasis is given on social integration, training and integration into the labour market of young people.

1.7.4. Access to unemployment benefits

The insurance-based nature of unemployment benefits linking them to previous work history makes it difficult if not impossible for young unemployed people with very little or no work experience to get access. In a number of Member States (SK, HU, IE, CZ, PT, CY, DK, UK, FI, NL) the legislation is unified for all insured people, including young unemployed people. In order to be entitled to unemployment benefits, an insured person must have paid insurance contributions for a given period of time prior to registration as a job seeker. Minimum contribution periods vary between four months and 24 months; the maximum duration for receiving unemployment benefits can in some countries be longer than the contribution period, in most cases this period is shorter.¹⁰⁴ Receipt of unemployment benefits is often also linked to being available for, capable of and genuinely seeking full-time employment.

Confronted with high youth unemployment rates, some MSs (PT, SI, AT) have modified the eligibility criteria for young people e.g. by shortening or re-defining the minimum contribution periods for young people. Other countries such as Luxembourg and Romania provide unemployment benefits after a waiting period of several months; benefits are then not paid in full, but as a percentage of the minimum wage or with reference to social indicators.

Another approach to address the problem exists e.g. in Slovakia: All people above 16 can contribute voluntary to the unemployment insurance, regardless of their work situation. This gives them additional rights to access this type of benefit and is especially interesting for young people with long education and training periods.

The level of coverage and access to benefits, both minimum income and unemployment benefits, differs across Europe. Overall, young people not in employment, education or training, in South Europe are less covered by income support than in Northern or Central Europe.¹⁰⁵ Linked to the very nature of individually awarded benefits such as unemployment allowances, young people are more often covered by benefits awarded at household level such as social assistance, housing or family benefits. The access to all type of benefits and in relation to this the risk of poverty differs

¹⁰⁴ OECD (2013) p. 80

¹⁰⁵ OECD (2013) p. 78

according to the living situation of young people, e.g. living with their parents or on their own. Nevertheless, the difference in receipt can be small if the parents are receiving income support as well.

In terms of maximum duration of coverage, in many MSs, the period for which it is possible to claim unemployment benefit is linked to the amount of time over which contributions have been paid. Accordingly, in these cases, younger people eligible for benefits tend to receive them for a shorter period than older workers because they have not been in employment long enough to build up a lengthy contributions' record. In addition, because young people are likely to earn significantly lower wages than their older counterparts, especially if they are employed on probationary or training contracts, and more likely to work part-time, the benefits they receive can be considerably lower. This is particularly so for young women, who typically earn less than young men and are more likely to be employed part-time.

There is also a group of young people not getting any kind of income support. Reasons for this lack of coverage might be rooted in the structure and accessibility of the different forms of income support and in the low level of registration of young people, especially NEETS, with public employment services or social services/ local authorities. OECD estimates for 2011 that more than 50% of NEETs did not receive any type of income support in ES, IT, PL and PT. In Northern Europe and most Continental Europe the rate is about 30% (except SE 40% and FI 20%).¹⁰⁶

Not only the level of services and income support available for young people are relevant, but also the quality of services. As a project from the Council of Europe pointed out¹⁰⁷, young people often perceive social services as not youth-user friendly, too complicated or contradictory in requirements. Training of staff in social services targeted to young people is relevant, but also the design of services, their transparency, availability and outreach.

1.7.5. Access to health care services

Investing in the health of young people is not only important for the individual young person, but also crucial in a life course perspective as it lowers the risk of health costs later on. The health of young people is influenced by health related behaviours such as tobacco and alcohol use, diet and exercise patterns, overweight and obesity, but also by wider social and economic factors. Healthy behaviours and conditions that arise during adolescence impact on health across the life course.

Access to quality health care is determined by basically the costs of health care services and the availability of the right services at the right time; services targeted at young people as well as health education are important to improve coverage and out-reach.

In countries where health care services are provided through public health insurance with universal coverage (UK, CZ, PT, SE, DK, FI), all young people have access to health care services. In UK,

¹⁰⁶ OECD (2013) p.89

¹⁰⁷ www.coe.int/enter

where treatment in general is free but there can be charges for some treatments, young people who receive (or are included in an award of) certain income-related benefits are entitled to full help with health costs. In some countries, access to health care services is granted linked to the receipt of social benefits or registration as job seekers (SK, HU, IE, AT, BE).

While young people in Europe seem to be largely covered by either a health insurance scheme or public health care services, only few countries report on initiatives to address the specific needs of young people in health care. Their needs are strongly related to the rapid biological and psychosocial changes during adolescence and the resulting vulnerability of young people. This vulnerability can be especially high as a result of individual and environmental factors such as marginalisation, social exclusion or lack of parental support¹⁰⁸. Data show that 15 to 20% of the adolescents in Europe suffer from one or more psychological or behavioural problems such as phobias, post-traumatic stress, depression, eating or learning disorders, substance abuse, juvenile delinquency, school absenteeism, and suicide¹⁰⁹.

In this context also the growing number of NEETs might raise concern: Young people not being in employment, education or training are more likely to develop mental and physical health problems. The increase in youth unemployment might also lead to subsequently higher demand for health services to cope with growing needs from young people.

Difficulties in accessing health care by young people also emerge in the European Quality of Life Survey (EQLS). 44% of young respondents indicated that waiting time has made access to medical care at least a little difficult, while 37% indicate that they experienced a delay in getting an appointment. Finding time to go to the doctor (due to work or care responsibilities) is an issue for 32% of young people, and cost of medical care is a problem for 31%. The distance to travel to the doctor or hospital is a less frequent problem, experienced by 18%. There is variation between MSs in the importance of these barriers: cost is a major barrier in CY and IE but not so much in UK and DK. In some countries multiple barriers to access exist, for example in EL and IT delay, waiting time and cost all seem to be an issue experienced by a significant proportion of young people.

Compared to 2007, barriers in accessing health care, especially cost, have become more prevalent in some countries, especially EL, MT, NL, IE and SK.

¹⁰⁸ WHO 2014, Health for the World's Adolescents, Summary, p.6

¹⁰⁹ <http://adocare.eu/>

Table 5. : Reasons for difficulty accessing healthcare, as reported by young people, 2011

	Distance	Delay in getting an appointment	Waiting time	Cost	Finding time
Austria	7%	29%	31%	14%	21%
Belgium	10%	20%	33%	26%	31%
Bulgaria	22%	23%	39%	30%	20%
Cyprus	15%	20%	36%	51%	19%
Czech Republic	19%	35%	53%	22%	25%
Germany	19%	41%	52%	27%	37%
Denmark	17%	22%	24%	7%	34%
Estonia	21%	43%	36%	23%	19%
Greece	38%	65%	68%	64%	39%
Spain	11%	26%	37%	10%	14%
Finland	18%	32%	29%	22%	19%
France	11%	26%	34%	32%	37%
Hungary	17%	37%	42%	19%	18%
Ireland	12%	21%	43%	51%	30%
Italy	36%	55%	61%	53%	36%
Lithuania	8%	28%	36%	30%	30%
Luxembourg	4%	14%	34%	29%	30%
Latvia	19%	25%	37%	29%	23%
Malta	16%	41%	65%	58%	38%
Netherlands	13%	20%	26%	25%	19%
Poland	24%	47%	42%	39%	26%
Portugal	24%	45%	48%	37%	38%
Romania	22%	39%	56%	46%	34%
Sweden	12%	32%	24%	16%	21%
Slovenia	25%	35%	38%	11%	13%
Slovakia	30%	33%	55%	50%	31%
UK	12%	36%	42%	7%	36%
Croatia	22%	42%	48%	18%	19%
EU28	18%	37%	44%	30%	31%

Source: European Quality of Life Survey, 2011

Note: red shading indicates greater difficulty in accessing healthcare, green shading indicates less

Data from EU-SILC indicate that for the EU average, young people (16-29) in 2012 do not report more unmet health needs compared to 2008, but in some MSs the percentage of young people reporting on unmet health needs due to the fact that health services were too expensive, too far away or had long waiting increased (e.g. Estonia, Ireland, Greece)¹¹⁰.

In order to improve the access to health services, several countries started to develop youth friendly health services which are responsive to the needs of young people and combine targeted services for young people with outreach activities (SE, UK). Outreach activities are especially relevant for NEETs; and also for young men, who are often recognised as the most under-served group when it comes to health services. Despite the fact that they are often in need for treatment, they address themselves less often to health services. Youth Health Centres like in SE, offering free of charge services for those under 20 and linked to youth centres, can be a solution to reach out

¹¹⁰ Eurostat, yth_hlth_060

to those hardest to reach¹¹¹. Also disseminating relevant information on health issues via Internet could be a means for reaching out to young people.

1.7.6. Acquisition of pension rights

One of the potentially more significant long-term effects of prolonged youth unemployment is the loss of pension contributions with all the consequences this can have on acquiring pension rights as well as on the level of pension income.

Member States have different approaches in terms of counting or not years in unemployment for pension insurance and the way periods of unemployment are factored in terms of the acquisition of pension rights. Some countries also have time limits to pension coverage in case of prolonged periods of unemployment.

In some Member States, basic unemployment allowances do not add to earnings-related pensions (FI, SK) and a period of unemployment is not considered as period of pension insurance (SK), but in SK and AT, for example, it is possible to pay a voluntary pension insurance during unemployment.

In other Member States pension contributions are provided by the state if young people are on social benefits (CZ, IE, UK, PT, BE, AT), insurance-based social benefits are considered as income and thus, compulsory insurable (DE) in order to protect entitlements, or receipt of social benefits confers pension rights (SE). However, in some countries this is conditional upon having previous social insurance record (IE).

Basic state pensions as in Denmark or the Netherlands give basic pension rights to everyone independent from his or her contribution history. Entitlement is based on the residence in the country.

One important and rather under-researched issue is related to the social long-term consequences of large shares of long-term youth unemployment leading to young people having (significantly) reduced contribution histories and the implications for future pension adequacy and the pension systems overall. Estimations of the average loss in pension right due to unemployment can provide first hints on the difficulties young people might face at retirement age. While there is a considerable protection of pension entitlements in the unemployment benefit system in most Member States for unemployment spells of up to 3 years, the loss in entitlement increases with the duration of career breaks. Especially in pay-as-you-go pension schemes, extended periods of unemployment or non-linear transitions to the labour market with recurring periods of unemployment and education and training, can have a great impact on pension entitlements and increase the risk of poverty at later age.¹¹² In addition, it appears to be particularly difficult for people to recoup the drop in entitlement, if they are without pension coverage in the first three to

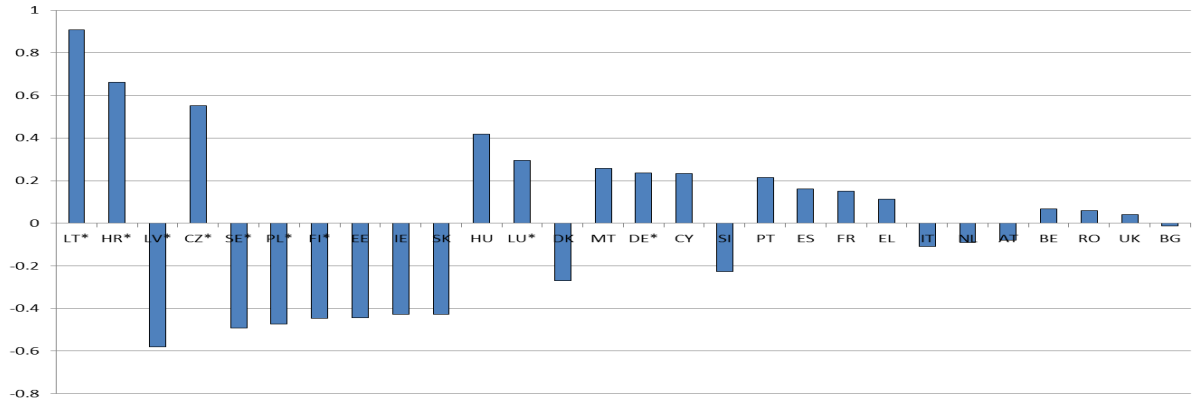
¹¹¹ WHO (2010) Youth-friendly health policies and services in the European Region, p.151

¹¹² Joint Report on Pensions: Progress and key challenges in the delivery of adequate and sustainable pensions in Europe, p.55

five years of their working career. Measures such as re-defining contribution periods during extended periods of education and training, transition periods from education to work or recurring unemployment spells; or strengthening basic pension schemes, are examples of possible adjustments to the pension system.

The European Quality of Life Survey¹¹³ shows that young people’s views on the quality of the state pensions system has decreased in many Member States between 2003 and 2011 (most negative changes can be observed in Czech Republic, Bulgaria, UK, Belgium, Cyprus, Hungary, Ireland). As shown in Figure 51, in several countries young people rate the quality of the pension system lower than other age groups. Only in Lithuania, Croatia, Czech Republic and Luxembourg have youth rated the pension system better than other age groups. In Latvia, Sweden, Poland and Finland youth rated pension system worse than other age groups.

Figure 51: In general how would you rate the quality of the following public services: state pension system – difference in judgement between youth and other age groups (country mean – scale 0 – 10)



*differences statistically significant p<0.05;

Source: EQLS data 2011

¹¹³ Managed by Eurofound and carried out every four years, this pan-European survey examines both the objective circumstances of European citizens' lives and how they feel about those circumstances and their lives in general. <http://eurofound.europa.eu/surveys/eqls>

1.8 Results of the in-depth thematic review

Experiences among MS show the need to balance carefully social protection measures and activation measures for young people. In Belgium young unemployed people, who do not yet qualify for unemployment benefit due to insufficient work history, can receive a benefit while engaging in job-seeking activities. This means that there is an incentive for them to establish a connection with the Public Employment Services, early after graduation. Belgium reported on a recent reform of the benefit (integration allowance) that includes the extension of the waiting time to one year, a stronger obligation to take part in activation measures and to look actively for work and the limitation of the duration to three years. Ireland and Spain stressed especially the need to develop comprehensive strategies in supporting young people, to ensure cross-sectoral cooperation and to improve transition from school or vocational training to work and tackle early school leaving.

Based on an exploratory discussion on youth exclusion from the social protection point of view and building on the thematic focus of the 2014 National Social Reports, the SPC identified the following issues which need to be taken into account in further developing policy guidance on addressing youth exclusion.

Overall, **social protection systems** should provide sufficient social protection for all young people taking into account their individual social and employment situation and at the same time avoiding dependency traps. To ensure the right balance, a close monitoring of the specific measures for young people and their social protection is therefore necessary. Conditionality and waiting times can, when designed carefully and taking into account the overall labour market situation and the employability of a young person, help to motivate young people to pick up employment or to continue or re-enter education and training. Too limited or lack of access to benefits combined with lack of or limited access to enabling services risks to create prolonged dependency on parents' and/or family support and delays financial and effective independency. Long periods of unemployment, inactivity or precarious employment might increase the risk of long-term salary losses, limited pension rights and poverty in retirement. Thus, focus should be put on increasing employability and income benefits, relevant for young people, should be better linked to activation measures and to a tailor-made approach to training.

Integrated and multidimensional approaches are necessary to answer to the needs of young people especially during transition periods and when confronted with unemployment or precarious employment. They combine different perspectives and policy approaches in addressing young people and allow for using the different resources available to help young people in need. This includes close **cooperation between different policy areas and providers of social support, health services, education and employment services**. **Youth organisations** can also play a crucial role in integrating young people in society and in reaching out to those furthest away from the labour market addressing young people in a different way than employment and social services and using different communication channels. Comprehensive **government strategies** to address

the social, educational and employment situation of young people can form the framework to bring different stakeholders at local, regional and national level together and design efficient and effective policy interventions. Attention needs to be paid to the situation of young people with migration background, especially newly arriving young migrants.

Municipalities/ local governments are an important actor in providing targeted support for young people. Municipalities/ local governments could be better placed to know the concrete difficulties young people face in their region, know their labour market situation and can **combine the different services to support young people**. Depending on the structure of social support systems, municipalities can create **one-stop-shops** for young people including a wide range of employment and social services, youth coaching and access to further education and training, reach out to young people and cooperate with local stakeholders, including youth workers, education and training institutes, but also local employers. Important are early interventions and an early detection of potential problems of young people to provide targeted support before young people become disengaged, inactive and consequently further excluded from the labour market.

Mobility can help young people to gain first work experiences and to improve their skills; supporting the mobility can therefore be one possibility to help young people in regions with high youth unemployment. At the same time it can create the risk of brain drain; balance needs to be kept between promoting mobility of young people, strengthening access to local labour markets and offering young people realistic chances to return to their region after having spent some time abroad.

The **Youth Guarantee** is recognized by Member States as a very important comprehensive and strategic instrument for addressing youth unemployment in Europe. They can bring together initiatives such as Youth Coaching programmes, programmes focussing on the skills and employability of young people, and outreach activities to sustainably improve the social situation of young people.

Social protection systems have an important role to play in supporting labour market integration and helping young people to bridge difficult periods of transition from education and training to work and to employment of progressively higher quality. They are also relevant in avoiding the risk of long-term social exclusion, providing young people with multiple difficulties with support to increase their employability and bring them closer to the labour market. The in-depth review made clear that further exchange on the efficiency and effectiveness of the different approaches is needed.

2 Depth of poverty

2.1. Introduction

The depth of poverty has been identified as a social trend to watch in 2013¹¹⁴ by the SPC, and as such, chosen as subject for a thematic review in the beginning of 2015. The 2013 SPC report on the social situation in Europe highlighted that there has been a substantial increase in the poverty gap and in the severe material deprivation rate in more than one third of Member States between 2011 and 2012, leading to a deterioration in living standards in these countries. Between 2008 and 2012, the relative median at-risk-of-poverty gap increased in more than two thirds of Member States. It should be noted however that even in the decade before the crisis, despite economic and employment growth, poverty and social exclusion remained major issues in most EU countries and income inequalities often grew. This paper provides a background for discussion on effective and efficient social policy responses to address the challenge of increasing depth of poverty in several Member States.

The risks of falling into and the chances of getting out of poverty vary across Member States, and have changed over time. The macro-economic environment, the labour market situation, and the policy mix in place (economic, fiscal, employment, and social) have a crucial impact on social outcomes. Further, countries with robust social protection systems characterised by stronger social investment have weathered much better the crisis, in terms of economic, as well as employment and social outcomes. These systems help through investing in human capital to prevent poverty from happening in the first place and to get people back on their own feet as quickly as possible. For this purpose, a comprehensive policy approach, adapted to the individual's needs, is needed. This review will look at options for increasing the effectiveness of social protection systems in avoiding that people fall into severe poverty and ensuring adequate livelihoods, through the right social policy mix of benefits and services that both activate and enable. We will pay particular attention to some characteristics of the social protection system, such as the coverage and adequacy of income support, and the role of enabling services.

The Social Investment Package, adopted by the European Commission in 2013, addressed these issues, calling for specific policy actions such as one-stop-shops, the increase in take-up and coverage of social benefits, ensuring adequate income support (which can be supported by setting reference budgets), and promoting activation, including through the use of conditionality. The distribution in the access to quality services, such as healthcare, childcare, housing, life-long learning, or social services also needs to be considered when ensuring adequate livelihoods and social investment across society and an individual's lifecycle.

¹¹⁴ SPC (2014) Social Europe: Many ways, one objective. Annual report of the Social Protection Committee on the social situation in the European Union (2013)

Through the European Semester, the European Commission supports Member States in their efforts to improving the effectiveness of social protection and social investment in addressing poverty and social exclusion challenges. In particular, since 2011, the Council has adopted several country specific recommendations (CSRs) on the improvement of social transfers, the adequacy and coverage of unemployment benefits and social assistance, the link to activation, and access to enabling services (see Table 6 below).

Table 6. Council CSRs on enabling and activating benefits and services per MS, 2011-2014

<ul style="list-style-type: none"> • Adequacy and coverage of unemployment benefits and social assistance (BG, ES, HR, HU, IT, LT, LV, PT, UK); • Strengthen the links between benefits and activation policies (BG, ES, FR, HR, HU, IT, LT, NL, PT, RO, SK); • Increase ALMPs for specific profiles such as migrants, long-term unemployed, Roma (BE, BG, EE, ES, FI, FR, HR, IE, LU, LT, PT, SE, SI, SK); • Improve the coverage and adequacy of ALMPs as well as ensure cost efficiency of the ALMPs (BE, BG, DK, EE, ES, FI, FR, HR, HU, IE, IT, LU, LT, LV, PT, RO, SE, SI, SK); • Improve the quality and out-reach of activation services and PES (CZ, DE, ES, IE, IT); • Improve the quality, accessibility and coverage of services complementing activation services (BG, EE, ES, FI, HR, IE, LV, UK); • Develop individualised services (CZ, DK, ES, FR, SI, SK).

2.2 Recent trends

Since 2008 poverty and social exclusion have increased, pulling the EU further away from the Europe 2020 target to reduce the number of people at risk of poverty and social exclusion by at least 20 million in 2020. There are 7.8 million more people living in poverty or social exclusion, totalling 122.6 million people in 2013. Poverty and social exclusion has increased in more than one third of the Member States in 2011 and 2012, and the poverty and social exclusion of children has increased in 18 Member States since 2008. The overall trends mask growing divergence between Member States.

The poverty gap is a way of looking at the depth of poverty. It indicates the extent to which the incomes of those at risk of poverty fall below the poverty threshold on average. In 2013, the

relative median at-risk-of-poverty gap¹¹⁵ in the EU27 was 23.8% lower than the at-risk-of-poverty threshold. This has increased by 2 pp since 2008, although broadly remaining stable since 2012. In 2013, the poverty gap in the EU27 countries varied between 15% (in FI) to over 30% (BG, EL, ES and RO). It is especially concerning that the poverty gap has increased in two-thirds of all Member States since 2008, and in some countries quite substantially (by around 4 pp or more in BG, PT, HU, IT, DK, SK and EL).

Trends in the severe material deprivation rate also show substantial increases in some Member States and clear signs of worsening living standards, not only in countries with historically high rates. In the period 2012-2013, 8 Member States saw statistically significant increases in the share of their population living in severe material deprivation (with the highest increases in PT (2.3pp), CY (1.1 pp) and DK (1.0 pp)). However, the overall picture was more balanced than in the preceding years since there were also 11 Member States that recorded a statistically significant reduction in severe material deprivation, with particularly notable improvements in the Baltic States (LT (-3.8 pp), EE (-1.8 pp), and LV (-1.6 pp)) as well as IT (-2.1 pp) and PL (-1.6 pp).

Nevertheless, the longer term trend remains mainly negative overall, with the rate of severe material deprivation having increased since 2008 in more than half of Member States. The countries seeing the worst increases – EL (9.1 pp), HU (8.9 pp) and CY (7.0 pp), but also IT, LV, LT and MT – are among those most affected by the economic crisis, although LV and LT have experienced a very sharp improvement in the situation over the last year or two. PL and RO are the countries with the most important improvements since 2008.

2.3 Policy responses

When assessing the policy responses to the depth of poverty challenge, the wider macroeconomic and institutional set-up needs to be taken into account. Fiscal, economic and employment policies influence social outcomes and interact with social policies, strengthening or limiting their effectiveness. For instance, fiscal policies interact with labour market policies and institutions, providing incentives/disincentives to work, and thus influencing the performance of social policies. The labour market situation in turn impacts on the returns from social investment, since the benefits in terms of economic growth from a higher labour supply and improved human capital depend on jobs being available in the labour market.

As stressed by the Social Investment Package, social protection systems that provide activating and enabling benefits and services contribute to higher labour force participation and human capital development, positively influencing labour market and economic outcomes. As a consequence, an

¹¹⁵ The relative median at-risk-of-poverty gap is calculated as the difference between the median equivalised disposable income of people below the at-risk-of-poverty threshold and the at-risk-of-poverty threshold, expressed as a percentage of the at-risk-of-poverty threshold (cut-off point: 60 % of national median equivalised disposable income).

integrated policy-making approach, which considers the complementary functions of economic, employment and social policies, is needed.

The Social Investment Package sets out the European Commission's long-term vision on the future of social policies. The social investment approach calls for social protection systems that prevent against risks across the lifecycle and support activation, as well as for improved effectiveness and efficiency of social expenditure. Such an approach reconciles social, employment and economic objectives. The Social Investment Package emphasises the need for **well-targeted, comprehensive and enabling** benefits and services. It highlights the importance of preventative approaches. Policies should facilitate the integration into sustainable, quality employment of those who can work and provide resources which are sufficient to live in dignity, together with support for social participation, for those who cannot. The complementary role of different social policies needs to be taken into account. This requires a comprehensive assessment of the policy mix in each Member State.

In this background paper we will particularly focus on a few characteristics of the social protection systems, which play an essential role in tackling the depth of poverty challenge. Other thematic reviews have dealt with other aspects of social policies.

Adequate and activating income support is key in reducing the poverty gap and severe poverty. Social protection systems should provide adequate and activating income support to empower people across all stages of their lives and enhance their opportunities to participate in the labour market and society. The role of social transfers such as unemployment benefits and minimum income schemes, as well as family and children benefits is therefore highly relevant. The schemes should help people to be able, motivated and activated to work. Some of the main challenges identified by the European Commission regarding minimum income schemes relate to their adequacy, coverage, simplification and their effective linking to activation and enabling services. In this background paper we will mainly focus on the adequacy and coverage challenges, as other SPC thematic reviews have already dealt with other aspects of income support.

In addition to income support **access to enabling services such** as early childhood education and care, education and training, transport, housing, job assistance, debt-counselling, health care, or long-term care, also plays an essential role in reducing depth of poverty and supporting people to improve their living conditions and employment prospects.

Efforts to address severe poverty and reduce the poverty gap should also comprise **simplifying services and benefits** and their administration, reducing administrative burdens and increasing take-up. This could be achieved through for instance setting up one-stop-shops and improving targeting through progressive universalism.

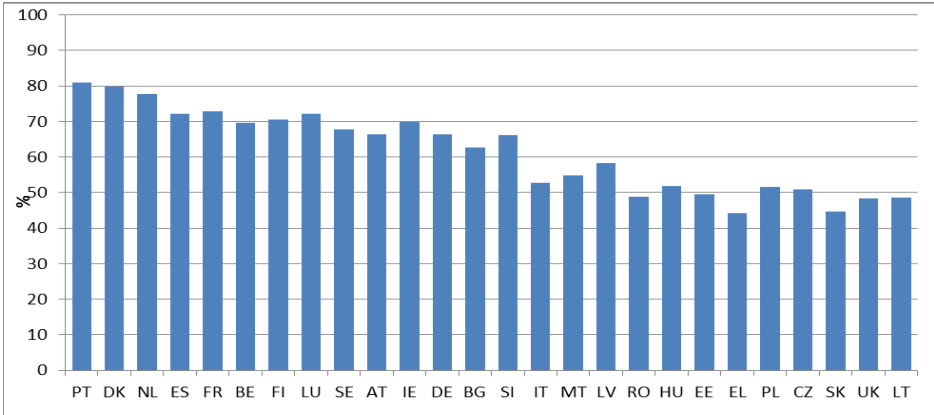
These issues are reflected in the 2015 AGS call for simplified and better targeted social policies complemented by affordable quality childcare and education, prevention of early school leaving, training and job assistance, housing support and accessible health care.

2.3.1 Adequate income support

When assessing the adequacy of income support through unemployment benefits and social assistance, two indicators can be used: the net replacement rates of unemployment benefits, and the net income of people on social assistance relative to the poverty threshold.

The average net replacement of unemployment benefits ranges from 45 % in Greece and Slovakia, to over 75 % in Denmark, the Netherlands and Portugal. This shows that the overall generosity of unemployment benefit systems exhibits a high degree of variation across EU countries. In most Member States the theoretical adequacy of unemployment benefits is improved by the presence of the children in the household and decreases with unemployment spells. The provision of cash housing assistance or social assistance improves the net replacements rates significantly in some Member States, especially in Czech Republic, Latvia, and the UK.

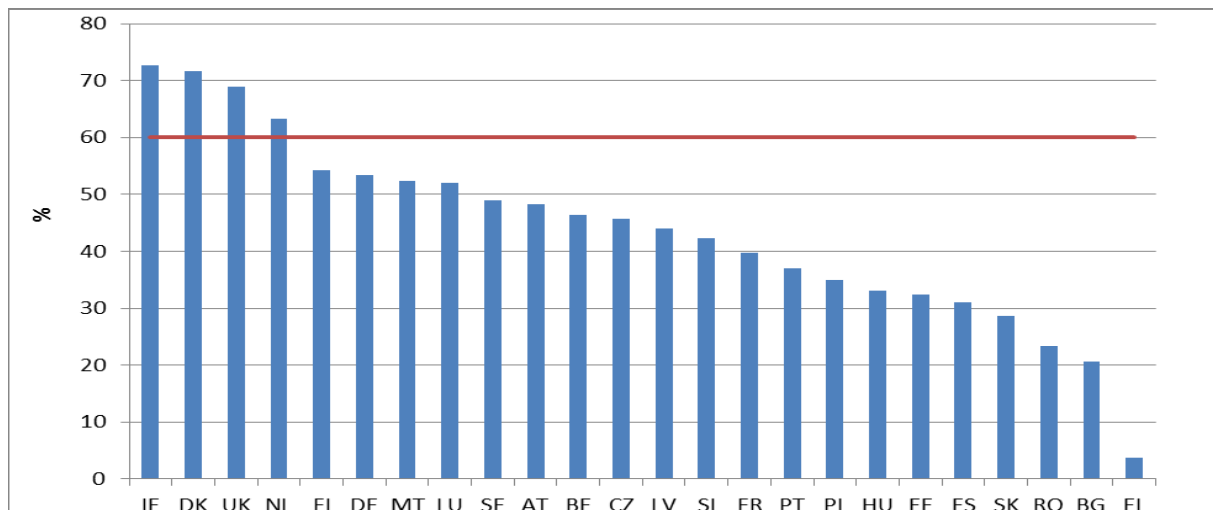
Figure 52: Average net replacements of unemployment benefits, 2010



Source: DG EMPL calculations based on OECD-EC tax-benefit model

The adequacy of social assistance can be measured by the net income of people on social assistance relative to the median equivalised income. Countries differ substantially in terms of the minimum safety nets they provide to jobless households, even when they are compared to the at-risk-of-poverty threshold which depends on the living standards within each country. Only a few countries provide households with a minimum income and related benefits (for example housing) that are sufficient to lift them close to, or above, the 60 % median income threshold, and this only for some family types.

Figure 53: Net income of people living on social assistance relative to median equivalised income, 2010

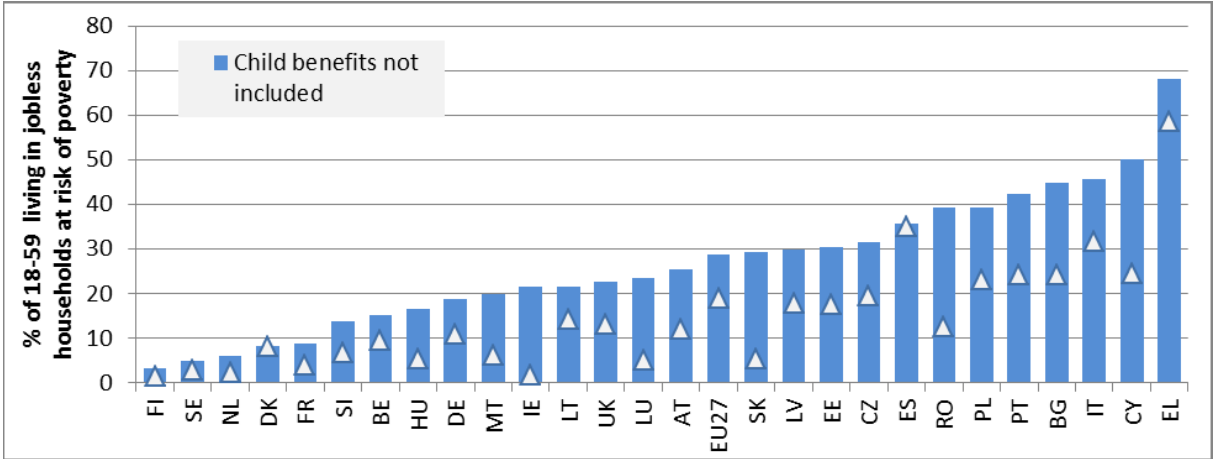


Source: OECD-EC tax-benefit model.

2.3.2 Coverage of social transfers

The effectiveness of a benefit system also depends on its coverage, i.e. the extent to which the population at risk is covered by the system and actually receives benefits when the risk occurs. The characteristics of benefit systems vary considerably across Member States, from those with wide coverage and high levels of adequacy in the Nordic countries and Continental Europe, to low coverage and low adequacy in Eastern Europe and some of the Southern Member States. There is also a variance in terms of the composition of policy instruments (unemployment insurance v. unemployment assistance) and their design (adjustment of benefits over the unemployment spell, link to past earnings). On average in the EU, 20 % of adults living in poor and jobless households receive less than 10 % of their income from social benefits when child benefits are included. The rate increases to nearly 30 % when child benefits are excluded. The non-coverage rate varies greatly between Member States. It ranges from less than 10 % in the North and Centre of Europe, while it exceeds 20 % in the Southern countries and Poland (Figure 54).

Figure 54 : Proportion of 18–59 individuals living in jobless households at risk of poverty, whose total benefits received is less than 10 % of total net disposable household income, 2010



Source: DG EMPL calculations based on Eurostat, EU-SILC (2011, IE 2010).

A number of countries (Bulgaria, Poland and Portugal) combine a limited coverage of both unemployment benefits and social assistance. This raises issues about the alternative sources of income on which these people may live, such as family solidarity and informal work.

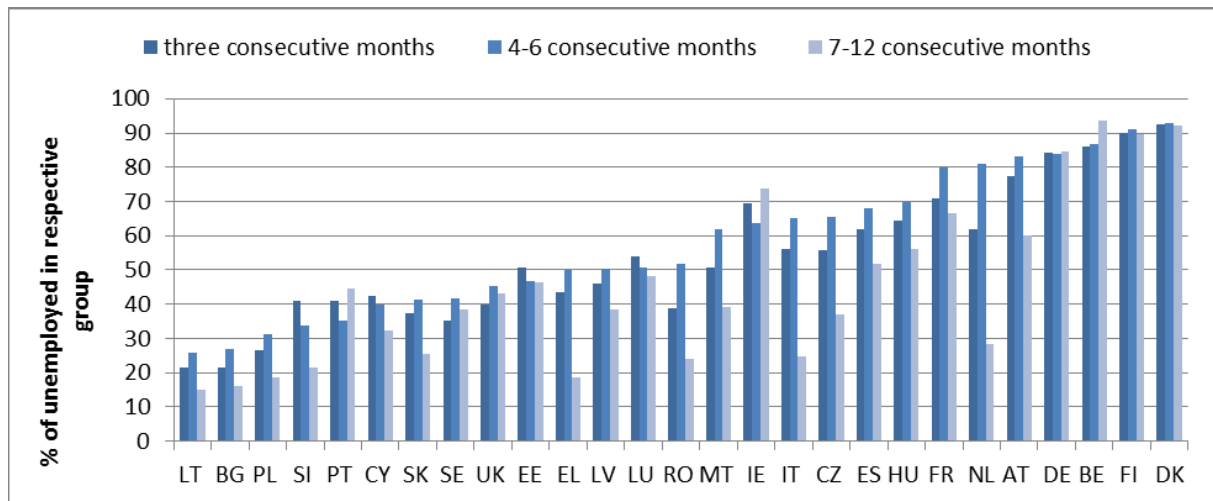
Almost all EU countries have some form of **minimum income scheme** at national level. Member States that do not have one, such as Italy, have other schemes at regional or local level. These are generally conceived as a short-term form of assistance, though in most Member States, they are not formally time-limited. They are means-tested and funded through the tax system. They are intended mainly for people out of work, but some Member States (Cyprus, Germany, Lithuania, France, Portugal, Romania, Slovenia, Sweden and Ireland) have extended their scope to provide in-work income support.

An examination of various national definitions¹¹⁶ shows that most Member States use a statutory minimum level of income, fixed by the (national, regional, local) legislator or government. Further classifications are possible along territorial arrangements, type of benefits (cash vs. in-kind), and existence of top-ups (or income tapers). In most Member States the minimum income level is not linked to national minimum wage.

The **coverage of unemployment benefit systems** can be assessed using a pseudo-coverage rate that relates the number of people actually receiving an unemployment benefit (as declared in EU-SILC with potential misclassifications) to the number of people unemployed during at least three months during the past year. The coverage of unemployment benefits varies greatly across countries and varies relative to the length of time spent in unemployment: up until 3 months; between 4 and 6 months; and between 7 and 12 months (see Figure 55 below). A low coverage of unemployment benefits undermines the effectiveness of high income replacement rates.

¹¹⁶ MISSOC Analysis (2011). *Guaranteed Minimum Resources*, MISSOC Secretariat for the European Commission, Contract nr. VC/2010/1131.

Figure 55: Share of the unemployed aged 18–59 receiving unemployment benefits during the reference period by unemployment duration, 2010



Source: DG EMPL calculations based on Eurostat, EU-SILC (2011 IE 2010).

Note: Reference population: unemployed aged 18–59 having experienced at least 3 consecutive months of unemployment over the previous year.

2.3.3 Access to quality and affordable services

Providing affordable access to services (e.g. early childhood education and care (ECEC), housing, health care, transport etc.) complements other social protection instruments in ensuring adequate livelihoods and empowering people to participate in the labour market and society. In the rest of this paper we particularly focus on access to housing and to early childhood education and care.

Early childhood education and care

Children who grow up in poverty often stay in poverty for their entire lives. For example, significant disadvantages faced in childhood in education – such as limited access to high quality education, limited access to additional learning support, lack of parental support or access to additional (non-formal) learning opportunities, are often compounded over life.

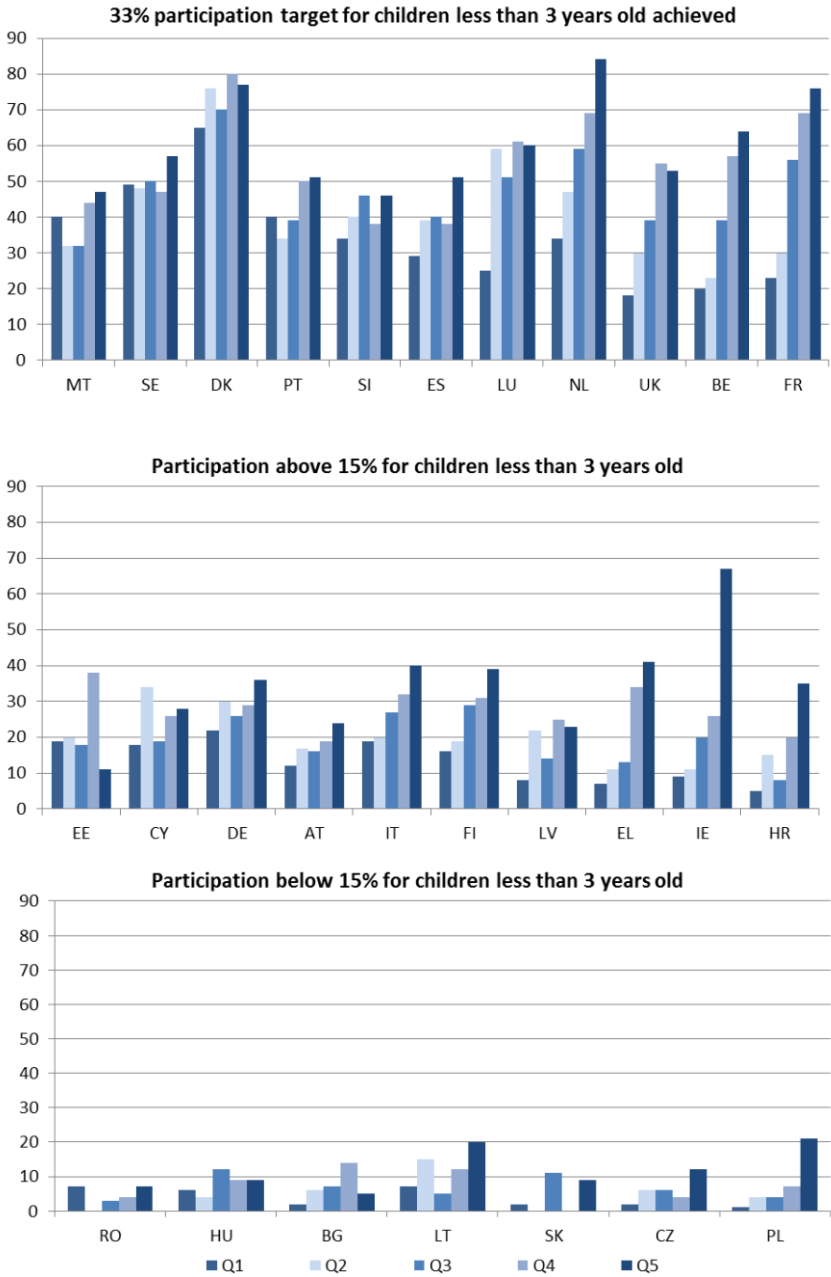
Many Member States have not yet achieved the 2002 EU targets for childcare, better known as the Barcelona targets¹¹⁷, and there are signs that provision is actually worsening due to the crisis¹¹⁸. As expected the use of ECEC facilities increases with age. Ensuring provision of facilities for children below 3 years of age is of particular importance for child wellbeing and for female employment. Again there are many Member States who are significantly below the target of 33%.

¹¹⁷ The Barcelona targets for 2010 were: 90% of all children between ages 3 and mandatory school age attending ECEC, and 33% of children under 3 years of age.

¹¹⁸ Commission (DG JUST) Progress report Barcelona objectives: The development of childcare facilities for young children in Europe with a view to sustainable and inclusive growth.

In addition, as shown in Figure 56, in many MSs, there is a steep **social gradient** when it comes to ECEC attendance, meaning that a greater proportion of children from higher socioeconomic classes are enrolled in formal childcare in comparison to children from poorer background. Children from disadvantaged backgrounds, who would benefit most from quality ECEC, are in fact far less likely to make use of these services. This holds for several social background indicators such as the parent’s level of education, labour market position, income level and the risk of poverty.

Figure 56: Percentage of children aged 0 to 2 in formal ECEC per income quintile



Note: Income quintiles based on families with children of less than 6 years old.

Source: Note for the ISG on the inequality in the use of ECEC. SPC/ISG/2014/12/8. Data from EU-SILC 2011 and calculations by Tarki-Applica

High quality, integrated ECEC services, complemented by individualised support and interventions, are more likely to be successful in their redistributive role to break the cycle of disadvantage. Existing barriers could be reduced by increased targeting of government assistance aimed at reducing the cost of childcare for low income families. The appropriate degree of targeting, however, depends on the relative priorities over a range of policy objectives. Broad or universal provision of ECEC removes the need to engage in the complex and often unsuccessful task of identifying and targeting disadvantaged categories of children. It can also support better the overall development and inclusion of children while limiting stigmatisation and segregation. Evidence shows that supply and demand for places match only in those countries that provide legal entitlement with a place guarantee straight after the end of parental leave. In these systems the cost is also differentiated according to income and a ceiling for the percentage of parental contribution is also decided.¹¹⁹

Housing

Housing costs represent an important share of a household's income, especially for lower income groups. Households not defined as relatively poor by standard indicators fall into relative poverty once housing expenses are taken into account. Transitions into poverty due to housing expenses, for instance, vary from a minimum of 4 % in Malta to a maximum of 13 % in the United Kingdom¹²⁰.

An increasing burden of housing costs on a household's income as well as the over-indebtedness of many households might result in the inability of households to pay mortgages, rent or utility bills, increasing vulnerability for repossessions, foreclosures and evictions and in some cases, homelessness. There is a growing need for locally available affordable housing, including social housing and affordable private rentals, as well as a sufficient level of housing and heating allowances¹²¹.

Available data shows that the number of homeless families or living in temporary accommodation for prolonged periods has been growing in certain Member States. This needs to be prevented and addressed through early intervention. Households with children, especially single-parent families, face a higher incidence of being overburdened by housing costs than other households. This can be counterbalanced by adequate levels of social, family and housing- support.

¹¹⁹ Key data on ECEC (EACEA, 2014)

http://eacea.ec.europa.eu/education/eurydice/documents/key_data_series/166EN.pdf.

¹²⁰ Maestri, V. (2014), A Measure of Income Poverty Including Housing: Benefits and Limitations for Policy Making, Social Indicator Research, May 2014

¹²¹ Commission Staff Working Document (2013)42 final on Confronting homelessness in the European Union

2.4 The need for a comprehensive social investment approach

Adequate income support, including unemployment benefits and social assistance, linked to inclusive labour market measures, activation measures and access to quality services in an integrated approach, are part of a comprehensive policy response to ensuring adequate livelihoods and preventing and reducing the level and depth of poverty.

Income support schemes should help people to be able, motivated and activated to work. In this regard, establishing and strengthening minimum income schemes -their adequacy, coverage, link to activation and enabling services- should be a priority. Minimum income should be high enough for a decent life. Better designed administrative systems for instance through one-stop shops would improve access to services and benefits whilst reducing administrative burden and costs. Service integration, including through individualised approaches, deserves attention as it may not only contribute to improving access and take-up, but also provide an answer to coping with new types of social risks, the increased role of prevention, and the need for coordination between increasingly complex services.

Analysing the characteristics of the very poor populations and the (mis-)match of benefits and services available to these populations would be a good basis for a focused discussion on where Member States should concentrate their efforts in order to reduce depth of poverty. A better understanding of the profiles of the very poor would also be the basis for an individualized approach that tackles the specific barriers the respective person faces in order to ensure sustainable reintegration into the labour market and the society.

2.5 Results of the in-depth thematic review

Drivers behind poverty and social exclusion are multiple; they can vary across an individual's life-cycle and are closely related to the wider economic and labour market context. Comprehensive, needs-driven, preventive and individualised approaches can contribute to avoiding and alleviating poverty and social exclusion in an effective and sustainable manner. Social investments are part and parcel of such approaches by targeting specific needs arising across the life-cycle, ensuring adequate income support and providing access to quality enabling services supporting individuals in critical transitions.

Adequate income support, through unemployment benefits, minimum income schemes and other cash benefits, plays a key role in preventing and avoiding severe poverty. The level of income support should be high enough to allow for a decent life, while at the same time people need to be motivated and activated to work. This requires an effective link between income support schemes and activation. Ensuring coverage and adequacy of minimum income schemes is a challenge, particularly in those Member States with less fiscal space. Different methodologies,

including reference budgets, are being used by MSs to assess the adequacy of their minimum income schemes.

Access to quality enabling services is essential to address poverty and social exclusion, considering the multiple barriers to employment and social participation experienced by the population concerned, such as low educational attainment, lack of training and skills, health problems and disability, the need to care for children or adult dependents, language problems, transport costs, housing costs, etc. Provision of activating and enabling benefits and services should be adequately linked and combined with income support schemes. Efforts should also comprise simplifying services and benefits and their administration. This could be achieved through for instance setting up one-stop-shops and improved targeting.

Several MSs are moving towards more integrated delivery of benefits and services, which address the multiple drivers of labour market and social exclusion, and are targeted to an individual's needs. In some cases, MSs use one-stop shops (e.g. activation centres in DE, located in the job centres, which channel individual's needs towards other relevant service providers), while others (e.g. CY) aim at improved cooperation between social and employment services. A more integrated provision of benefits and services can contribute, on the one hand, to better take-up and coverage by potential beneficiaries, and on the other, to more efficient and optimised administrative procedures. The individualised provision of a comprehensive package of benefits and services, often under the responsibility of different administrations, presents non-negligible governance challenges (in particular in MS where different functions and responsibilities are divided between national, regional and local level like ES and DE) Instruments such as common databases could facilitate inter-institutional /departmental coordination.

Policy design should take a systemic approach to the panoply of cash and in-kind benefits and services provided by the social protection system, and consider how these interact, both at individual and household level, with other policies and institutions, such as fiscal incentives/disincentives to work and labour market institutions (public employment services, minimum wage...). Trade-offs between different policy measures and the need to take a comprehensive approach to the design of social protection is illustrated by recent reforms in LU, where maternity/family allowances (which contributed to inactivity traps for women) have been eliminated and investment shifted towards childcare facilities.

In addition more attention is needed for evidence-based approaches and creating knowledge on real outcomes coming from policy initiatives and innovative experiences, both in terms of social and economic returns. Sound methodological frameworks would help in the design of sound policies and reforms by public authorities.

Finally, involving social partners, and articulating the right synergies between the public and the private sector, including civil society and social economy actors, is key in addressing our current social challenges and to mitigate the pressures on our social protection systems.

3. The role of activating and enabling benefits and services in reducing long-term exclusion from the labour market in the EU

3.1. Introduction

Unemployment and long-term unemployment have been some of the more immediate and tangible impacts of the economic crisis. While the share of (quasi-) jobless households has stabilised in some countries in 2013 (AT, MT, HU, and HR) and has improved in some others (CZ, PL, FR, DE, and RO), it remains a major issue in the countries mostly affected by the crisis (EL, IE, ES, LT, PT, BG). Long-term unemployment is often times related to prolonged economic recessions as well as structural challenges. It puts pressure on social protection systems in terms of income support for longer periods of time, use of different benefit schemes to address the challenge as well as the design of safety nets which are capable of having a strong activating element and manage to provide the services necessary to guarantee the long-term unemployed opportunities to be integrated back in the labour market.

The situation of the long-term unemployed and the jobless households, i.e. those furthest away from the labour market, is at the core of the interrelation between **activation policies and access to services**, **effectiveness of social protection schemes** and **the tax and benefit system** and is directly influenced by general labour market conditions.

The Social Investment package¹²² adopted by the Commission in February 2013 has most recently emphasized the need for well-targeted, comprehensive and enabling active inclusion strategies which include both income support and access to services. The investment approach can be used in containing the rise of long-term unemployment and jobless households by placing the right emphasis on the **prevention** dimension. For those already in long-term unemployment, a comprehensive approach that combines activation with income support and enabling services based on **individual contracts** can be a solution.

The Employment package¹²³ calls for supporting job creation (through lowering labour tax, wage subsidies, etc.), increased investment in skills, and a series of labour market reforms (such as anticipating restructuring, life-long learning, ALMPs) that would facilitate return to the labour market including for the long-term unemployed.

Long-term labour market exclusion was identified by the SPC as one of the social trends to watch for 2013 and as such was chosen as a subject to a thematic review in the course of the second half of 2014¹²⁴. In its Communication on the social dimension of the EMU from 2 October 2013, the

¹²² <http://ec.europa.eu/social/main.jsp?langId=en&catId=1044&newsId=1807&furtherNews=yes>

¹²³ Towards a job-rich recovery COM/2012/0173 final

¹²⁴ SPC (2014) Social Europe: Many ways, one objective. Annual report of the Social Protection Committee on the social situation in the European Union (2013)

Commission gives strong priority to the exchange of best practices and policy learning which should be scaled up in the framework of the OMC. While the issues related to how to address the challenges of the long-term excluded from the labour market and their effective and sustainable re-integration into the labour market are very broad, it is proposed that this thematic review focuses on the **social protection perspective**, and in particular on **the role of activating and enabling benefits and services in reducing long-term labour market exclusion**. This review will therefore contribute to mutual learning on the **modernisation of social protection systems**, a priority area for reform identified in the 2015 Annual Growth Survey¹²⁵, looking at specific ways to **effectively and efficiently** address long-term labour market exclusion.

3.2. Recent trends

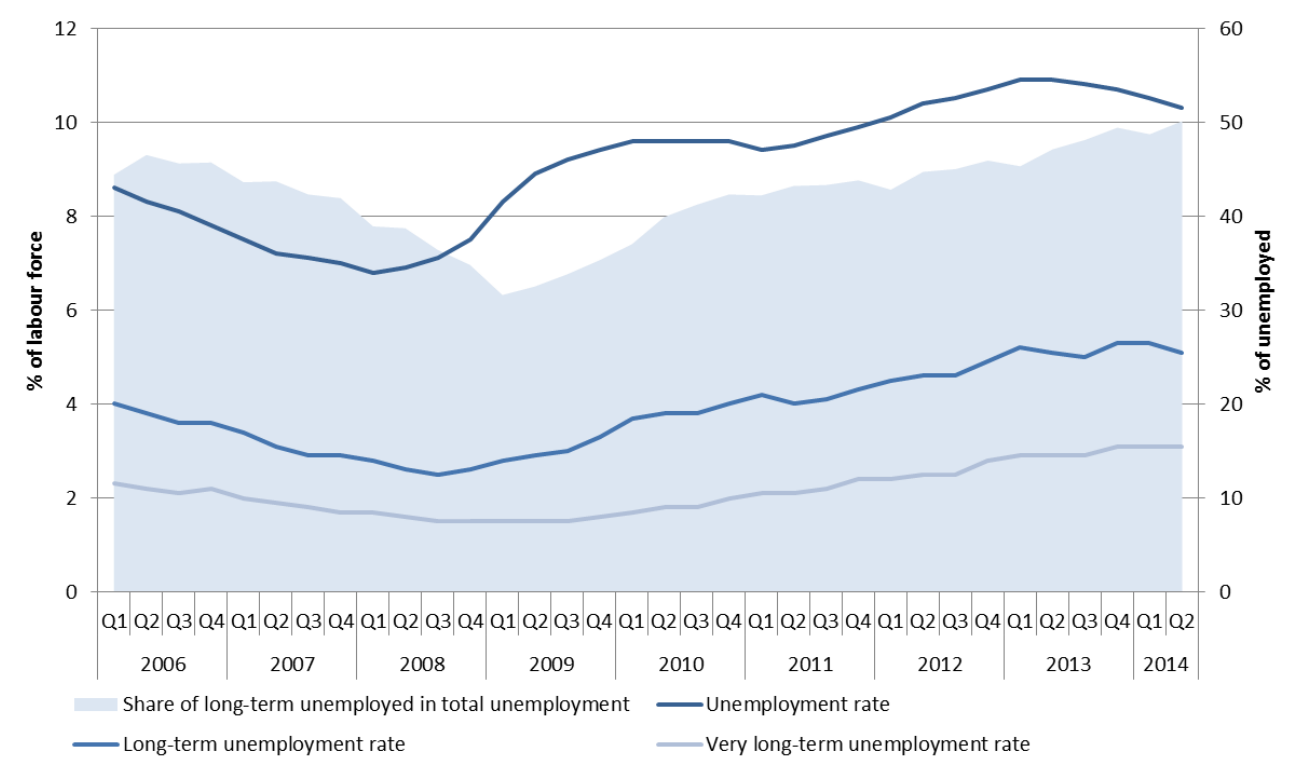
For the purposes of this note long-term labour market exclusion is examined through developments in the long-term unemployment, share of population living in (quasi-) jobless households, the at-risk of poverty rate for the population living in (quasi-) jobless households (all these three SPPM indicators) and inactivity rates.

3.2.1. Long-term unemployment

Around 12.4 million people have been unemployed for at least one year. In the second quarter of 2014, long-term unemployment in the EU remains at the same level as in the second quarter of 2013, i.e. 5.1% of the labour force (-0.1 pp compared to the first quarter of 2013). It is more than double, however, of the lowest point of the examined period (2.5% in the third quarter of 2008). The very long-term unemployment rate (people in unemployment for at least two consecutive years) also remained stable over the quarter (at 3.1% of the labour force, an increase of 0.2 pp on the second quarter of 2013). The very long-term unemployment thus represented around 60% of total long-term unemployment (Figure 57).

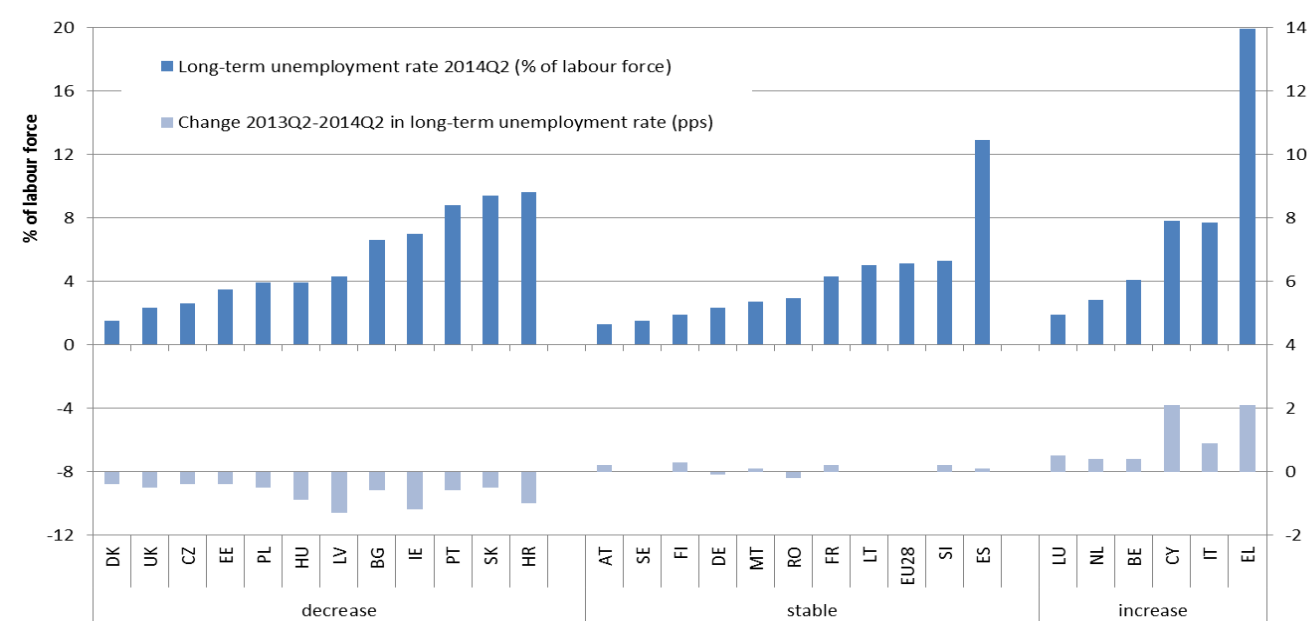
¹²⁵ Annual Growth Survey 2015, COM(2014) 902 final

Figure 57. Unemployment rate and long-term unemployment indicators in EU-28



Long-term unemployment rates appear to have stabilised in the majority of EU Member States but continue to increase in countries where they are already high, such as Greece, Spain, Italy and Cyprus (see Figure 58). In the year to the second quarter of 2014, Cyprus and Greece saw the largest increase (+2.1 pp), while long-term unemployment rates are at historically high levels in Greece (19.9%) and Spain (12.9%). In contrast, long-term unemployment fell the most in Latvia (-1.3 pp), Ireland (-1.2 pp) and Croatia (-1.0 pp).

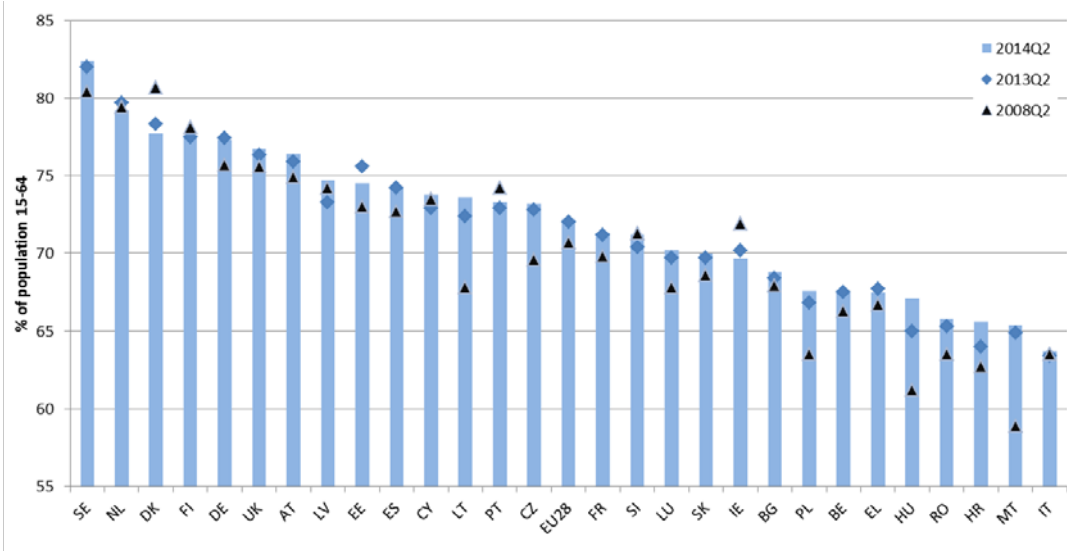
Figure 58. Levels and changes in long-term unemployment rates 2013 – 2014 in EU 28



In the first quarter of 2014, the activity rate in the EU stood at 72.1% for the 15 to 64 year-old population, representing a total of 242.5 million people (see Figure 59). This represents an increase of 0.5 pp over the year from the first quarter of 2013 and of 1.8 pp since the first quarter of 2008. Over the year to the first quarter of 2014, the activity rate remained stable in most Member States, with significant increases seen in Croatia (+6.9 pp), Hungary (+2.4 pp) and Luxembourg (+1.8 pp). Only Estonia and Denmark, both countries with activity rates well above the EU average, recorded significant decreases (around 1.0 pp). In terms of gender differences, while on average there are more men (5.2%) than women (5.1%) affected by long-term unemployment, there are significant country differences (with high female long-term unemployment rates in IT and EL).

In Italy, Romania and Malta the activity rate remains low and significantly below that of other Member States. It is interesting to note that the low overall activity rates in these three countries are associated with low female activity rates - the lowest activity rates in the EU.

Figure 59. Activity rate in the EU-28 Member States – 2008-2014



A recent World Bank – European Commission report¹²⁶ examined trends in labour market exclusion in six EU member States (Bulgaria, Estonia, Greece, Hungary, Lithuania, and Romania). During the examined period (2007-2011), the total out-of-work population has increased in five of the six countries studied. Estonia and Lithuania had the greatest increase in the out-of-work population (all the inactive population), both increasing 33 percent from 2007 to 2011. In Greece this group increased almost 26 percent, by more than 550,000 people. Hungary had a small increase in the out-of-work population (25,000), but had the highest share of out-of-work in 2008 and second highest in 2011 (37 and 38 percent respectively). Only in Romania did the out-of-work population decrease (2.5 percent or 106,000), but it remains a large share of the total working-age population (31.2 percent).

¹²⁶ Ramya Sundaram, Ulrich Hoernig, at co. (2014). Portraits of labour market exclusion, The World Bank.

The characteristics of the profiles of out-of-work population vary from country to country. Based on the EU-SILC survey for 2011, in Estonia, Bulgaria, and Greece seven groups of out-of-work individuals could be identified, while in Lithuania and Romania eight groups distinctive groups emerge, and in Hungary ten. Nevertheless, there are some general groups that can be identified in all six countries. Clusters of middle-aged unemployed, long-term unemployed, retirees, disabled, **inactive women or mothers**, NEETs (young people not in employment, education or training) and young unemployed are present in every country. The size, share and profile characteristics are different, reflecting the demographics and labour market of a particular country. The needs for support in getting back to the labour market also vary according to the individual's characteristics.

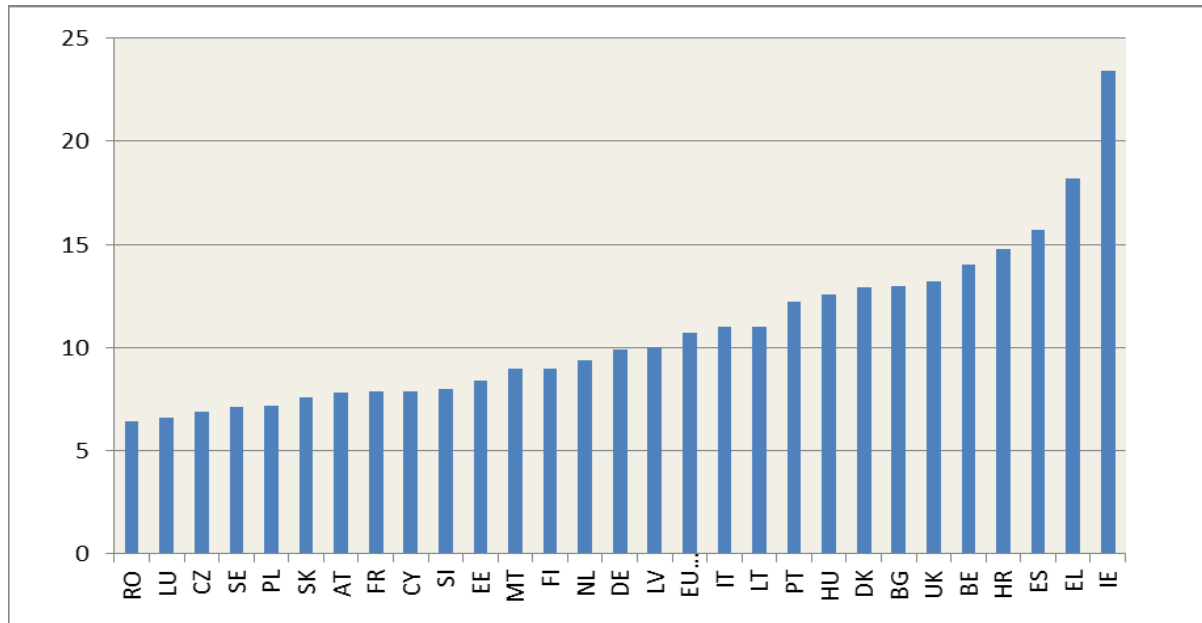
The high share and number of long-term unemployed is another worrisome issue in all the countries analysed. Across the clusters of unemployed, the share of individuals in long-term unemployment in all countries has grown. In addition, in Lithuania, Estonia, Hungary, and Romania long-term unemployed accounted for 12 to 28 percent of the out-of-work population. It is also worth noting that in some Member States, either for structural reasons or as a consequence of the crisis, a significant share of long-term unemployed does not correspond to the "traditional" low skilled profiles.

2.2.2 Jobless households

In 2013, around 10.7% (40 million) of Europeans lived in (quasi-)jobless households (i.e. in households with very low work intensity).¹²⁷ This share has been increasing in the past years at the EU level. Differences range from 23.4% (IE) to 6.4% (RO) (Figure 60). Countries such as EL and ES have faced particularly drastic increases between 2008 and 2013. In EL, the percentage of population living in (quasi-)jobless households increased from 7.5% to 18.2%. In ES, the rate more than doubled from 6.6% to 15.7%.

¹²⁷ People living in (quasi-)jobless households (i.e. with very low work intensity) are people aged 0-59 living in households where the adults work less than 20% of their total work potential during the past year.

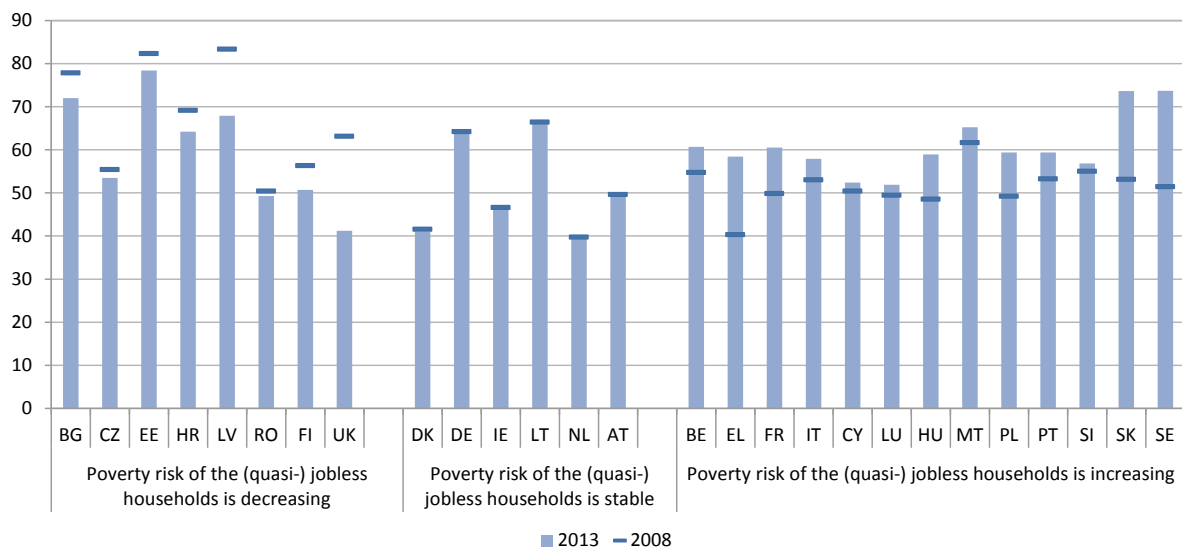
Figure 60. Population living in (quasi-)jobless households (i.e. very low work intensity households) (age 0-59), 2013



Source: Eurostat (EU-SILC); Note: 2012 data has been used for IE.

Approximately 13 million people live in low work intensity households and are at risk of poverty. When comparing with 2008 (Figure 61), the latest data shows that worsening trends are observed in almost half of the Member States. Real improvements (from high levels) are observed in several MS (BG, EE, HR, LV, FI, UK) but it is important to consider that this is a measure of the income situation of the ones further away from the labour market while their living conditions (e.g. material deprivation) might show a more attenuated picture.

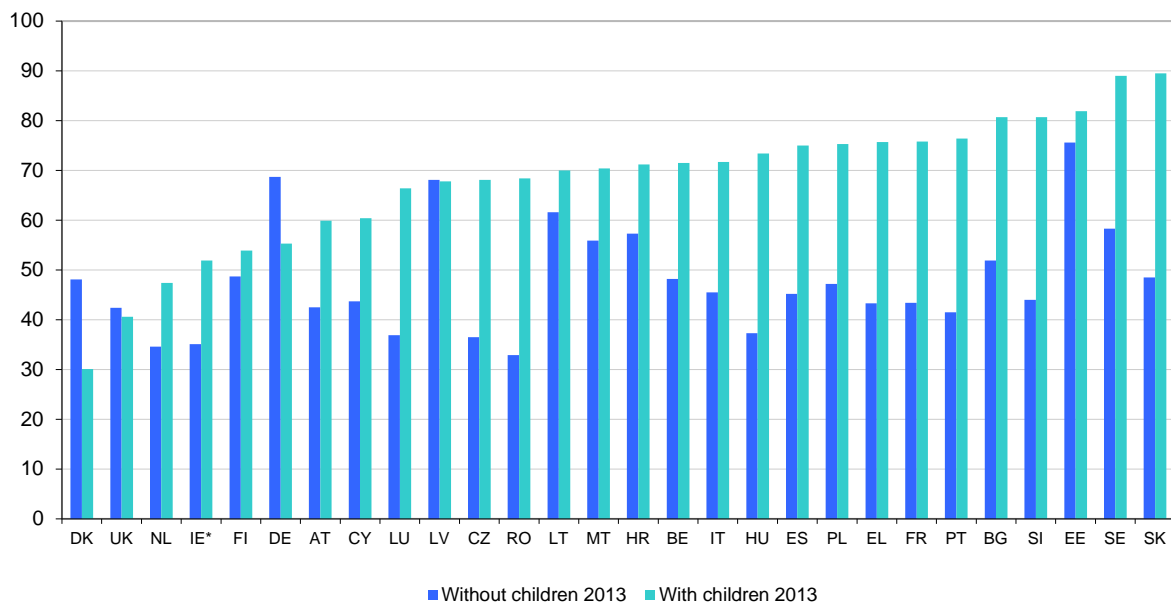
Figure 61. Evolution of the at-risk-of-poverty rate of (quasi-) jobless households (0-59), 2008 and 2013



Source: Eurostat (EU-SILC); 2012 data has been used for IE, and 2010 instead of 2008 for HR

In comparing the poverty risk of jobless households for households with and without children (see Figure 62), the overall trend is that (quasi-) jobless households with children have a much higher poverty risk with SK, SI, HU, RO, PT, EL, FR, CZ and SE where the difference is largest (between 30-41 pp). DK, DE and to a lesser extent UK and LV, are the only Member States where (quasi-) jobless households with dependent children are more protected from poverty risk. Single people and single parents in particular represent a larger share of those living in jobless and poor households

Figure 62. At-risk-of-poverty rate for the (quasi-) jobless by household type, 2013 or latest available year



Source: Eurostat (EU-SILC); 2012 data has been used for IE.

European Commission analysis (2014) shows that those living in jobless and at risk of poverty households **tend more often to be women than men** (53% vs 47%). There are slightly more young people and elderly. Middle age adults (aged 25-50) account for 57% of those living in (quasi-) jobless and poor households, and 62% of the whole population. Those with a low education level tend also to be more represented among those living in (quasi-) jobless households at risk of poverty (44%) while representing only 22% of the total 18-59 population. There are slightly more migrants (14%) compared with the total 18-59 population of migrants (9%). With regards to their activity status, most are mainly unemployed (41%) with the remainder being shared between students aged over 25 (11%), retired but younger than 60 (3%), disabled (13%) and adults fulfilling domestic tasks (15%).

3.3. Policies, best practices and evidence-based responses

Some of the main barriers to labour market integration of people on long-term unemployment include:

- Low level/lack of qualifications; outdated qualifications not matching labour market requirements, with a risk of skills obsolescence increasing with the length of unemployment
- Low motivation and resignation after prolonged periods of unemployment and low employability due to lack of work habits; limited knowledge of job search techniques
- Disincentives to work (e.g. linked with tax-benefit systems)
- Barriers affecting the capacity to find work: poor public transport, lack of child care facilities, health issues
- Lack of 'life skills' resulting from socialisation in a disadvantaged family or neighbourhood and/or from school drop-outs and failures in one's career

In order to overcome these barriers, social protection systems need to be modernised and provide a combination of well-designed adequate income support (minimum income, housing benefit...) which does not result in unemployment/inactivity traps, quality enabling services (childcare, elderly care, transport problems, debt-counselling, health issues...) and activating measures. Early and preventative support should also be provided to those at risk of becoming long-term unemployed.

Tackling these barriers calls for a comprehensive approach to labour market integration (e.g. access to child-care, public transport or health counselling). There is evidence¹²⁸ that well-designed policies can make a difference when it comes to transitioning out of unemployment. Participation in training and ALMPs by unemployed persons improves their transition rates out of unemployment. However, participation in training is currently limited in many Member States, particularly among low and medium skilled workers. Another finding is the positive effect of being registered with the public employment service, particularly when receiving unemployment benefits.

As the focus of this background paper is on the social protection perspective, and more specifically, on the **role of activating and enabling benefits and services**, the following section will look at the role of unemployment benefits and minimum income schemes and their link to activation, as well as, at the role of other enabling benefits and services. Finally it will examine the importance of comprehensive policy responses and individualised services.

¹²⁸ European Commission (2012). Employment and social developments in Europe 2012.

3.3.1 The role of unemployment benefits

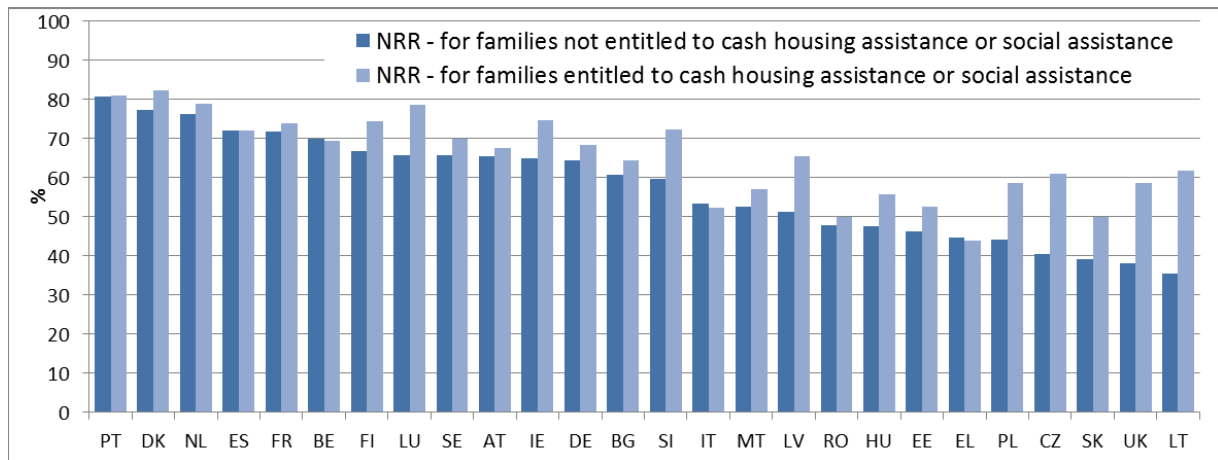
Besides activation measures there is a need to provide income support for individuals and households that have lost their jobs and incomes. **Unemployment benefits** (both contributory and non-contributory) act as a cushion to sudden income losses. In this respect, unemployment benefits are vital to keep households on a lifeline and avoid loss of human capital.

A recent assessment of the unemployment benefit systems in the EU¹²⁹ reveals some interesting dynamics on the structure and nature of unemployment benefit systems. Within the EU, there are groups of countries with relatively homogenous benefit systems. **Nordic and Continental** countries are characterised by relatively generous unemployment benefit systems both in terms of entitlement conditions and income support per unemployed. In both groups, activation and active labour market policies have a prominent role, with job search conditionality being strong especially in Nordic countries. In **Anglo-Saxon countries**, unemployment insurance benefits are relatively modest, while unemployment assistance plays a major role. Monitoring of job-search activity is strict whilst active labour market policies play a less important role. In Southern countries, access to unemployment insurance is strict and benefit generosity varies widely depending on age and contribution period. Finally, **Central and Eastern** countries tend to exhibit a tight unemployment benefit system both in terms of benefit support per unemployed and benefit coverage. Although replacement rates at the beginning of the unemployment spell can be high in some cases, benefits drop sharply over the unemployment spell. Strict conditions on job search and availability often apply.

The overall generosity of unemployment benefit systems exhibits a high degree of variation across EU countries. In most Member States the theoretical adequacy of unemployment benefits, as measured by the net replacement rates, is improved by the presence of the children in the household and decreases with unemployment spells. The net replacement for families not entitled to cash housing assistance or social assistance ranges from below 40% in CZ, LT, SK and the UK to over 75% in DK, NL and PT. The provision of cash housing assistance or social assistance improves the net replacement rates significantly in some Member States, especially in CZ, LV, and the UK (Figure 63).

¹²⁹ Stovichek, K. and Turrini, A. (2012). *Benchmarking unemployment benefit systems*. European Commission, Economic Papers 454.

Figure 63. Net replacements of unemployment benefits for families entitled versus not entitled to cash housing assistance or social assistance, 2010



Source: European Commission (2014, forthcoming); DG EMPL calculations based on OECD-EC tax-benefit model

3.3.2 The role of minimum income schemes

Minimum income schemes (MI) provide cash benefits to ensure a minimum standard of living for individuals (and their dependants) that have either no other means of financial support, or whose resources fall short of a given level, despite including contributory cash benefits and support from other family members. MI schemes are considered as ‘schemes of last resort.’ They provide a safety net to protect people from destitution if they are not eligible for social insurance benefits, or are no longer entitled to such benefits. **They play an even more important role in a crisis,** when the rise in unemployment has already had an impact on social assistance schemes.¹³⁰

Almost all EU countries have some form of MI scheme at national level. Member States that do not have one, such as Italy, have some sort of scheme at regional or local level. These are generally conceived as a short-term form of assistance, though in most Member States, they are not formally time-limited. They are means-tested and funded through the tax system (i.e. non-contributory). They are intended mainly for people out of work, but some Member States (CY, DE, LT, FR, PT, RO, SI, SE and IE) have extended their scope to provide in-work income support.

In most Member States, MI schemes are designed at national level, while delivery is delegated to the local authorities.¹³¹ An examination of various national definitions¹³² shows that most Member States use a **statutory minimum level of income**, fixed by the (national, regional, local) legislator or government. Further classifications are possible along territorial arrangements, type of benefits (cash vs. in-kind), and existence of top-ups (or income tapers). Minimum income benefits in

¹³⁰ Social assistance (SA) schemes represent the broader category including MI benefits together with other types of benefits such as housing benefits, child benefits and unemployment assistance benefits.

¹³¹ In a few Member States, like Austria and Hungary, responsibility for policy decisions on SA benefit levels and eligibility conditions is partly delegated to regional/local governments.

¹³² MISSOC Analysis (2011). *Guaranteed Minimum Resources*, MISSOC Secretariat for the European Commission, Contract nr. VC/2010/1131.

general are adjusted periodically.¹³³ In none of the Member States is the minimum income level linked to national minimum wage.

The design of MI schemes varies widely among Member States. In terms of **comprehensiveness** (i.e. the extent to which MI schemes are non-categorical, thus applying to those on low incomes in general, rather than to specific subgroups), four 'broad' groups of countries can be distinguished.¹³⁴

- **Group 1 (AT, BE, CY, CZ, DE, DK, FI, NL, PT, RO, SI, SE)** is characterised by relatively simple and comprehensive MI schemes, generally open to those without sufficient means to live in dignity.
- **Group 2 is smaller (EE, HU, LT, LV, PL, SK)**. It has simple and non-categorical¹³⁵ MI schemes accompanied by more restricted eligibility conditions.
- **Group 3 (ES, FR,¹³⁶ IE, MT, UK¹³⁷)** is characterised by a complex set of different and often categorical schemes that sometimes overlap but generally cover most of those with insufficient means.
- Finally, there is a small group of countries with limited, partial or piecemeal arrangements only covering narrow categories of people (BG, IT, EL).

Eligibility conditions (commonly related to age, nationality, residence, lack of financial resources and availability for work) vary significantly. In some Member States, where there are only piecemeal and categorical schemes, there are **people on very low incomes that do not have access to any form of MI scheme**.

Over the past years many Member States have **tightened eligibility conditions**.¹³⁸ Conditionality has generally been increased and **availability for work** has usually been more tightly enforced for those are fit to work. There are often sanctions if beneficiaries fail to comply with the requirement that they must be available for work. Sanctions may lead to reductions in benefits, and to the loss of the right to SA benefits in more extreme cases. There is also a trend towards a stronger link between income support through MI schemes and **activation measures** including vocational training, job search assistance, and counselling.

¹³³ Most Member States do automatic adjustments following changes in the consumer price index (in some countries an increase will only take place if the consumer index is raised by a certain percentage (CZ, LU, BE)). Some Member States will only adjust at irregular intervals after a decision by the government (LT, EE), while in other countries this will depend on the available budgetary resources (BG, LV). However, the periodicity of adjustment varies from every 6 months (SI, NL), to each year (almost all Member States), up to once every 3 years (PL), or at irregular intervals (LT, EE). Source: MISSOC Analysis 2011.

¹³⁴ Frazer H. and E. Marlier (2009) 'Minimum income schemes across EU Member States. Synthesis Report'.

¹³⁵ Access to categorical benefits is restricted based on some personal characteristics (single, with children, etc.) non-categorical benefits are benefits with no restriction based on personal characteristics. .

¹³⁶ This has improved with the introduction of the Revenu de solidarité active in 2009.

¹³⁷ Although some of this complexity is being addressed in the UK by the gradual introduction of Universal Credit.

¹³⁸ A follow-up survey, conducted in autumn 2011 and spring 2012, on the implementation of the active inclusion strategies at national level (based on pre-filled questionnaires complemented by MS information) found that more countries have implemented stricter eligibility criteria for minimum income (CZ, FR HU, PT, RO, UK) compared to those that relaxed eligibility (MT, LT) in the examined period (2008-2012).

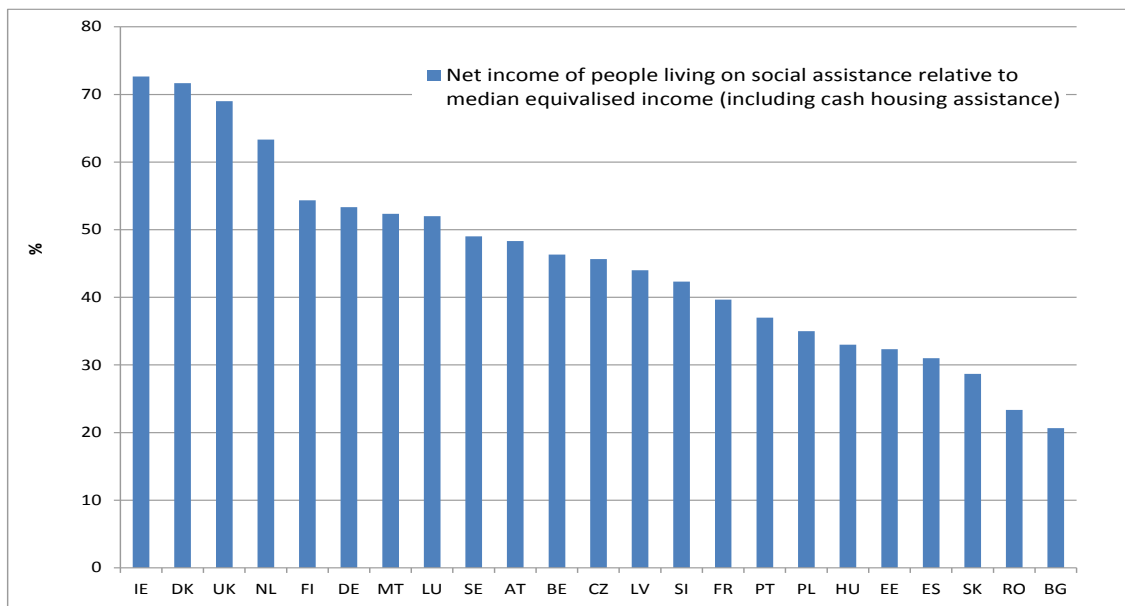
MI schemes are of unlimited duration in all Member States. They are granted for as long as a person is in need of support, and need is monitored by regular checks that beneficiaries do indeed fulfil eligibility conditions. National MI schemes differ as regards the duration for which benefits are available after each application, so the frequency with which a claimant has to reapply varies. For example, in FR the Revenu de solidarité active (RSA) has to be renewed after three months, in BG, SI and LV after six months, while in PT, the period is 12 months.¹³⁹

Considering overall income support, it should be noted that in some Member States, MI claimants also receive **additional assistance for specific needs**, such as housing benefits, contributions to fuel costs and means-tested child benefits. Though not formally classified as ‘guaranteed MI benefits’ these do contribute to the level of income that is actually guaranteed to people supported by MI schemes.

The theoretical adequacy of social assistance can be measured by the net income of people on social assistance relative to the poverty threshold (Figure 64). Countries differ substantially in terms of the minimum safety nets they provide to workless households, even relative to the at-risk-of-poverty threshold, which depends on the living standards within each country. Only a few countries provide households with a minimum income and related benefits (for example housing) that are sufficient to lift them close to, or above, the 60% median income threshold, and this is true only for some family types.

¹³⁹ MISSOC database for 2011.

Figure 64. Net income of people living on social assistance relative to median income, 2010



Source: OECD-EC tax-benefit model

3.3.3 The link between activation and income support

Active labour market policies help ensure that unemployment and social assistance benefit recipients and other jobseekers have a better chance of finding employment than they would otherwise have. Key features of such policies¹⁴⁰ are to establish and enforce work-availability and mutual obligation requirements, meaning that benefit recipients are expected to engage in active job search and improve their employability in exchange for receiving efficient employment services and benefit payment. By improving skills, they are better able to return to "reduce the risk of long term marginalization from the labour market." (Gallie and Paugam 2000). Overall, the **effective integration of activation policies and unemployment benefit systems** are seen as crucial in containing the potential disincentive effects of benefits¹⁴¹.

Measures to **increase access to and intensity of employment** are widespread, particularly in response to the economic and financial crisis. These measures usually fall under the broad category of **active labour market policies (ALMPs)**. Shared characteristics of ALMPs in Member States are **profiling, job counselling, educational training and (re-)qualification**.¹⁴² **Subsidised employment, public work programmes, short-term paid employment, traineeships and voluntary work** are among ways of reintegrating people into work. While all Member States have policies for the unemployed and job seekers generally, the degree to which these target those who are furthest from the labour market (e.g. social assistance recipients) varies substantially. However,

¹⁴⁰ See www.oecd.org/els/employment/almpp

¹⁴¹ This is confirmed by various macro-econometric evaluation studies that found evidence for interactions between activation policies and other policies, for instance that spending on activation policies mitigates the impact on higher unemployment benefits in rising unemployment (Bassaninin and Duval 2006).

¹⁴² For a classification by type of action see Eurostat (2010). Labour market policy — expenditure and participants.

some Member States (BE, DE, AT, FI, LU, PL, SI) specifically target these recipients by means of separate programmes.

Among the unemployed and recipients of social assistance and activation policies, Member States often identify different sub-targets for ALPMs, among which **young** and **older workers, low-skilled and long-term unemployed, migrants** and **people with disabilities**. For example, IE targets older workers, while the UK targets young people within the Jobseeker's Allowance scheme. DK and SE have separate schemes for older workers and young unemployed people. Measures currently in place in DE, SK, SI and ES tend to focus on the long-term unemployed. An overwhelming majority of Member States¹⁴³ **link the right to income support to the willingness to work and a minimum commitment to seeking a job, vocational or occupational training**. In SK, proving one's willingness to work and to accept a suitable job is only compulsory when applying for the highest level of income support benefit.¹⁴⁴

The conditions under which job seekers have to accept a job offer varies across Member States. In CZ and DE, job seekers are required to accept *any* job, even if it is short-term, or a mismatch with their skills. In LV, EE, SK, MT and NL¹⁴⁵, job seekers are obliged to accept *suitable* work only (subject to the relevant authority's assessment).

'Reluctant behaviours or attitudes' such as refusing a job offer or refusing to take part in ALMPs are generally penalised by sanctions. These vary, and include withdrawal of benefits and grants (e.g. in EE, SI, LT, CZ, EE), withdrawal of benefits (e.g. BG, CY, HU), suspension of benefits (e.g. LT, DK) or lowering the level of benefits (LV, IE).

If a job seeker is unable to find work, most Member States offer **vocational or occupational training**. Some also provide various counselling services which can cover advice to manage debt or addiction or psychological support (DE) during drug or alcohol rehabilitation (MT). In SI, job seekers may have to sign a contract with the Social Work Centre to take part in social and/or health programmes (SI). In other countries such as LU, an 'integration allowance' is available only if job seekers take part in an 'integration activity'. In NL, a young person who is not in employment or education (NEET) has the right to request a job or an offer of a place in education from the local municipality.¹⁴⁶

If occupational or vocational training is not successful, some public administrations provide **(mandatory) measures to ensure activation** (RO, BG, NL, LV, HU). This may mean compulsory involvement in **public works**¹⁴⁷ (e.g. providing social services, cleaning). This dimension should in

¹⁴³ MISSOC Analysis (2011). *Guaranteed Minimum Resources*, MISSOC Secretariat for the European Commission, Contract nr. VC/2010/1131, Page 17.

¹⁴⁴ MISSOC Analysis (2011).

¹⁴⁵ In the NL any job will have to be accepted after 12 months of unemployment.

¹⁴⁶ The recently adopted Youth Employment Package aims to tackle the phenomenon of NEET at Member State level. For more information see: COM(2012) 727 final.

¹⁴⁷ European Commission (2013). Public works – does it work? Issue paper prepared by DG EMPL, unit E5.

many cases be complemented in order to improve job seekers' prospects of finding work, to avoid locking them into such schemes (LV, HU).¹⁴⁸

Back-to-work benefits (such as gradual phasing out of income support, tax allowances and in-work benefits) and **earnings disregards** (income that is disregarded when it comes to assessing tax liability) complement ALMPs in making it more attractive to take a job. Taxing labour income is a prominent element of every Member State's tax policy. So it is important to understand the underlying relationship between taxation and labour supply. Evidence suggests that **secondary earners** are much more responsive to wages (and thus taxes) than primary earners. If the tax burden is too high, **secondary earners might decide they are better off not working, or (more rarely), working fewer hours.**¹⁴⁹ Disincentives can also stem from joint taxation.

3.3.4 The role of enabling services in reducing labour market barriers

Active labour market services, aimed at increasing employability and attractiveness on the labour market, are essential for providing opportunities for employment. However, these services are often not enough to overcome remaining non-work related barriers to employment and job seeking activities, e.g. access to child-care, public transport and health counselling. Pairing both active labour market services with **enabling support services** increase possibilities and decrease obstacles to gaining and taking up employment. Provision of these services to long-term unemployed should be combined with access to benefits or social assistance to ensure basic financial support. Connection between support given by service providers and participation in the offered services is strengthened, with all parties being linked by mutual obligations to the fulfilment of the contract.

A key success factor is strengthened cooperation and coordination between all relevant actors (such as PES, authorities managing cash benefits and related support services, social partners, private employment services, social welfare centres, NGOs, municipalities, training and education providers). This is because the jobless households and long-term unemployed have various barriers (e.g. care needs, income support, reskilling, counselling support, employment opportunities) which are addressed by a variety of actors.

While there is no overarching indicator on access to enabling services, there is information on access on four main service areas: early childhood education and care (ECEC), life-long learning, housing, and healthcare (see Figure 65 below). The overall picture on access to services is rather mixed. On the one hand, the Scandinavian and Western European countries are characterized by relatively high access to services (with some notable exceptions such as Austria in case of ECEC or

¹⁴⁸ Commission Staff Working Documents, Assessment of the 2012 national reform programme and convergence programme for Hungary and Latvia, SWD(2012) 317 final, SWD(2012) 320 final.

¹⁴⁹ In the US, for every 10% reduction in after-tax wages, primary earners work about 1% fewer hours, for an elasticity of labour supply with respect to after-tax wages of 0.1. Secondary earners are much more responsive to wages (and thus taxes), with elasticities of labour supply with respect to after-tax wages estimated to range from 0.5 to 1. Source: Gruber (2011) Public finance and public policy, Third edition, Worth Publishers, pp. 628.

France in life-long learning¹⁵⁰). On the other end of the spectrum are the Member States from Eastern Europe that are characterized by low access across the board.

Figure 65. Indicators on access to enabling services (2010)

	Enabling services			
	Early childcare - factor	Life-long learning	Lack of adequate housing	Unmet need for care
DK	2.8	31.6	52.8	3.7
FI	1.5	20.7	20.8	3.4
NL	0.8	16.3	29.1	0.8
SE	1.2	23.5	42.4	4.1
FR	0.9	5.0	26.1	5.9
BE	0.5	7.0	28.9	2.3
AT	-0.9	14.3	32.2	2.0
DE	-0.3	7.2	32.1	4.0
SI	0.7	15.6	34.7	0.2
IE	0.0	6.4	16.4	2.3
UK	0.0	18.6	37.9	2.0
ES	0.5	12.0	26.5	0.4
PT	0.7	7.7	20.7	3.7
CY	-0.1	7.1	12.7	7.8
CZ	-1.2	8.1	45.9	1.0
IT	-0.2	8.4	35.2	7.2
MT	-0.8	9.2	9.9	1.5
EE	-0.1	9.5	41.5	6.3
HU	-0.8	2.8	53.2	2.8
LV	-0.4	4.7	50.5	23.7
PL	-1.2	5.8	48.6	7.5
BG	-0.9	1.6	39.1	22.7
EL	-0.9	3.4	55.4	5.6
LT	-0.6	5.0	44.7	1.4
RO	-0.8	2.1	54.0	7.5
SK	-1.1	5.0	46.9	2.0
LU	0.5	12.3	27.6	1.7
	SILC	LFS	SILC	SILC

¹⁵⁰ Although caution is needed with the figure for life-long learning as after a break in the time series in 2013 the figure for life-long learning for France in 2013 is much higher (17.7% in 2013).

Description of the set of indicators used to describe access to services.

Labour market oriented services	
Childcare up until 3 years old — factor (Eurostat, EU-LFS)	The analysis resulted in one factor (Chronbach= 0.88) on: Use of childcare for younger than 3 years old Average hours spent in formal childcare
Life-long learning and education — average (Eurostat, EU-LFS)	The average of the sub-indicators: Participation in education and training of low, medium and high educated aged 25–64
Other services	
Health care (Eurostat, EU-SILC)	Unmet demand for medical and dental care (18–44)
Housing services — average (Eurostat, EU-SILC)	The average of the sub-indicators: Housing cost overburden rate among the at-risk-of-poverty population (18–64) Overcrowding rate among at-risk-of-poverty population (18–64)

Source: Employment and Social Developments (2013)

Note: Figures refer to the year 2010.

Example of Member States' efforts in supporting social welfare services: the case of Estonia

In order to guarantee the quality and purposefulness of rehabilitation service, Estonia is splitting the service into two components: vocational rehabilitation and social rehabilitation. Such division enables to offer better-targeted services that result in higher effectiveness. Persons with partial capability of work receive rehabilitation services that are linked with their (possible) employment. Estonia also continues to implement a counselling services project for people with multiple problems and their family members. The target is people whose income is below or who are at risk of falling below absolute poverty line, who are recipients of subsistence benefit and have some additional problems (for example care burden, low social skills, low educational attainment, health problems, debts, insufficient social skills, etc.) that can be obstacles to participate in the labour market or may have difficulties with everyday coping are entitled to the services. In 2013, 45% of people who participated in the project maintained their job or started working and 27% started participating in active labour market measures. The project has significantly improved the use of the case management method in local governments. Based on the positive experience so far, the project will widen the scope of services that are offered in counselling centres, including specific experts (lawyers, clinical psychologists, psychiatrist and social pedagogues) in the network that delivers counselling services.

3.3.5 The need for a comprehensive policy approach targeted to individual needs

The assessment of the active inclusion strategies¹⁵¹ at national level highlights the importance of a **comprehensive policy response** to the rising unemployment and the resulting poverty, as well as of an **early intervention** for those at risk of becoming unemployed. The assessment clearly shows that Member States with robust social protection systems characterised by adequate income support, high coverage of unemployment and social assistance, access to enabling services, and strong activation policies have weathered much better the crisis. The provision of such comprehensive policy response might be favoured by the use of individualised integration contracts, the coordination of employment and social services, and/or the setting-up of one-stop shops.

The particular case of jobless households and long term unemployed, which often times combine a number of disadvantages, is a good example of the need for comprehensive measures to address the problem. It is important to contrast the social isolation and reach out to these families in order to connect them to the community. To these aim social services and particularly family centres offer good opportunity of (first) contact. Support for improving parenting and life capacities can be a first step to improve employability, as it has a direct effect on self-esteem and therefore on attitude. Often times these households are households with dependent children. IN relation to this, a recent review of activation policies in OECD countries (Martin 2014) finds that activation measures have been most effective for unemployment benefit recipients and also for recipients of sole-parent benefits when assistance is provided with child care.

Support for the labour market integration of the unemployed should be tailored around the **individuals' needs** and offer options which meet their skills and interests and avoid placing individuals into predetermined employment pathways. A correct assessment of skills and placement into different streams (e.g. through profiling) could allow to better tailor these services. Unemployed individuals must be transparently informed and aware of each step concerning their reinsertion path in order to improve their sense of ownership.

3.4 Results of the thematic in-depth review

The second thematic review of the 2014 SPPM 'trends to watch' focused on long-term exclusion from the labour market and the role of activating and enabling benefits and services for addressing it. The participating countries (DK, LT, BG and IE) outlined different challenges and policy approaches in addressing long-term unemployment. These conclusions draw on the results from this review.

Long-term unemployed people form a heterogeneous group with specific and different obstacles such as health concerns, difficulty in reconciling work and family life, social problems, or lack of

¹⁵¹ **European Commission** Communication of 20 February 2013 *Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020, CSWD 39 final.*

skills. Understanding the profile of the target population is crucial to effectively implement policies and support their re-integration into the labour market. Measures to fight LTU need to take a **comprehensive approach tailored around individual needs** to be effective, including targeted activation, adequate income support and enabling services. Profiling can help to develop better targeted measures. Early intervention and preventative support to those at risk of becoming long-term unemployed is also important.

The potential of education and up-skilling in bringing people back into jobs differs in relation to the profile of the target population, their educational background, their potential and the concrete labour market situation. Skill mismatches cannot always be reduced. In some cases, there is no sufficient labour demand even for the highly skilled and educated long-term unemployed. Not all job seekers should be dealt with in the same way; one has to look at specific characteristics and see how these are best addressed. Specific groups need more attention and are often not sufficiently covered by the services of the public employment and other job search services. For example, the activation measures and training offers often do not suit the specific labour market needs of LTU with high education levels.

Both the individual and the household perspective need to be taken into consideration. In fact, jobless households are often confronted with a combination of multiple social problems. Better investigation and monitoring of the dynamics of jobless households and the way households enter and exit joblessness is needed. Single parents form another fragile group on the labour market, especially if coming from a low education and socially disadvantaged background. People with disabilities, having a right to be integrated into the labour market, provide additional challenges for public employment services. Activation measures for people living in rural / remote areas are often underdeveloped; targeted investment is needed to compensate their difficulties in accessing the labour market.

Flexible approaches, in which people are supported to take up work also for a limited number of hours per week, depending to their capacities, can be a stepping stone to more complete labour market integration. For such an approach to work, it is crucial to motivate people to work gradually more hours and increase labour market participation. An active role by employers is also necessary. First experiences show that employers might indeed be willing to use and interested in such flexible approaches.

The design of the level and duration of benefits, contributory-based unemployment benefits, minimum income as well as related benefits, should ensure an adequate income while at the same time avoiding unemployment or inactivity traps. Reforms also need to ensure an adequate transition between unemployment benefits and minimum income schemes and an effective coverage. Supporting reintegration into the labour market requires linking these benefits to activating and enabling services. Reforms to tax and benefit systems can encourage employment by removing financial disincentives and ensuring smooth transitions into the labour market. Provide additional incentives for people to accept work such as receiving social benefits during the

first months of employment in addition to their pay can help transition and cover initial extra costs in taking up work.

Systems should avoid having an excessive number of people permanently on assistance schemes and help to increase the returns on investment in continuous activation measures. This can include also targeted support for persons in vulnerable situations and / or those with care duties allowing them more flexibility between employment gains and access to benefits. There is potential value added of customised packages for services and ensuring a proper implementation of a "rights and obligation" approach in receiving benefits. Experience in some Member State shows that reducing the maximum duration of unemployment benefits can bring people quicker into employment, but the effects in long-term labour market integration require close monitoring. It is key that those who remain unemployed keep enrolled in active labour market schemes. This requires a closer cooperation between employment and social services.

Activation measures/ enabling services need to be timely, effective and efficient; for this monitoring and evaluation is key. The efficiency and effectiveness of public employment services and social services as well as the individual role, responsibility and workload of case handlers/employment promoters are a crucial factor. Also the cooperation and coordination between employment and social services to provide a more integrated support to long-term unemployed often needs improvement. Good practice examples are dedicated teams at local level, composed of different services and discussing individual cases, can ensure better coordinated support. A 'one-stop shop' approach can simplify and streamline the service and improve take-up. Depending on the governance structure, empowering the municipal/local authorities can strengthen the offer and effectiveness of activation measures.

IV. The 2014 social trends to watch

This year's summary of the results from the analysis of the key social indicators included in the Social Protection Performance Monitor dashboard (Figure 66), show the following main trends to watch for the most recent period (2012-2013):

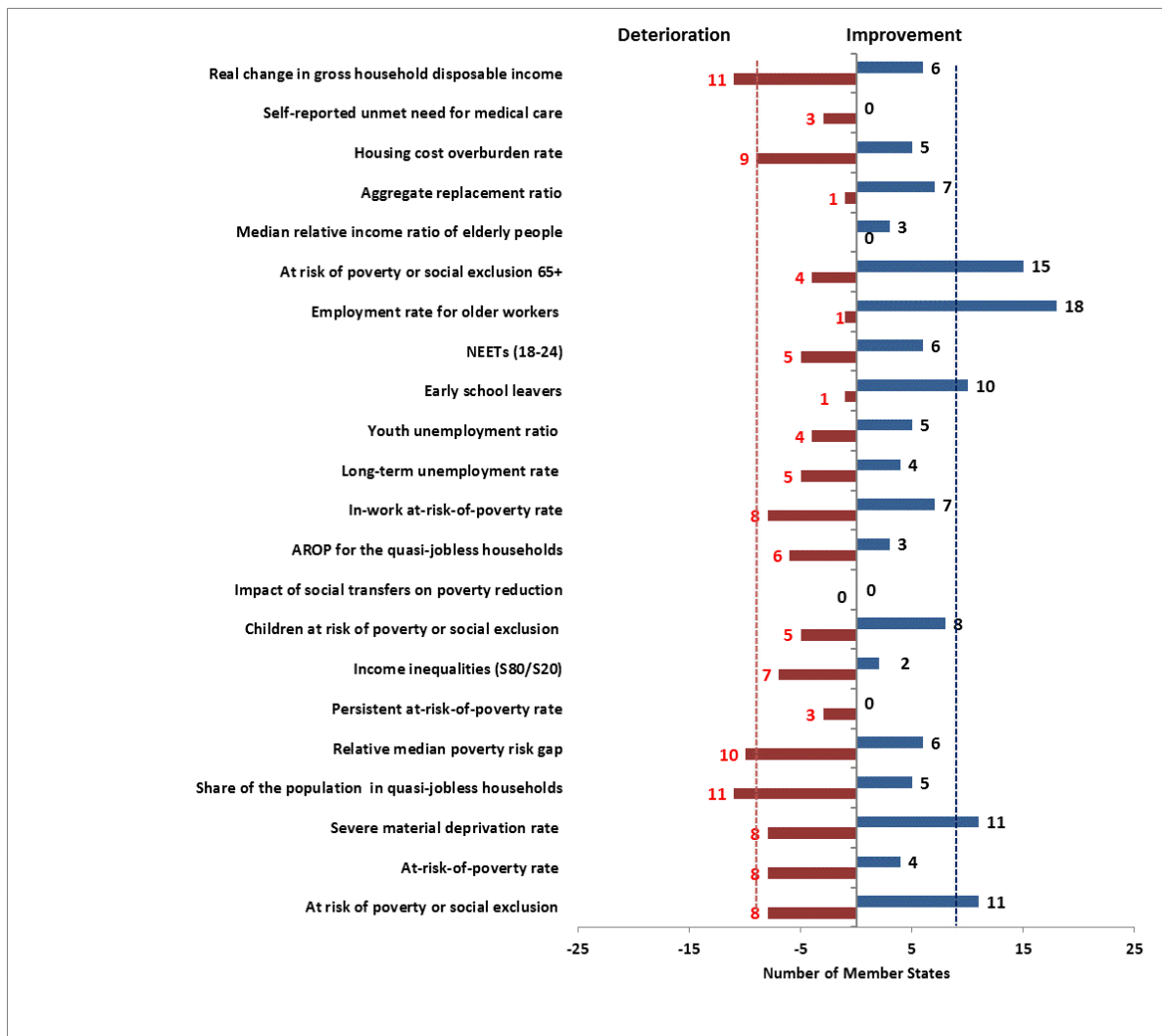
- increases in the **risk of poverty for the overall population** (registered in 8 MS) and in the **depth of poverty** as proxied by the poverty gap (registered in 10 MS)
- continued rises in the share of (quasi-) **jobless households** (registered in 11 MS)
- increasing **housing cost overburden rate** (in 9 MS)
- declines in **real gross household disposable income** (in 11 MS)
- increase in the **working poor** (8 MS).

These social trends to watch are partly balanced by positive developments in the following areas:

- rising **labour market participation of older workers** (increase of the employment rate for 55-64 year olds in 18 MS)
- improving **income and living conditions situation of the elderly** (improvements in 15 MS)
- some improvement in the **severe material deprivation rate** (in 11 MS) and **the risk of poverty or social exclusion for the overall population** (in 11 MS)
- further reductions in the rate of **early school leavers** (in 10 MS)
- some improvement in the situation of the **working poor** (in 7 MS) and in the **risk of poverty or social exclusion among children** (8 MS).

Compared to the results from last year's edition of the SPPM, there is a more nuanced picture across the EU with more mixed signs of developments in the living conditions of the population across Member States, although trends in the share of (quasi-) jobless households, the risk and depth of poverty, the evolution in household disposable income and housing cost overburden remain mainly negative.

Figure 66. Social trends to watch and areas of improvement for the period 2012-2013



Source: Social Protection Performance Monitor

Note: i) No 2013 EU-SILC data for IE, so IE has not been considered for the evolutions with regard to SILC indicators. ii) For 2013 SILC-data ES registered a major break in series for the EU-SILC income variables. As a result, income related indicators are not comparable to 2012 for this country and ES has therefore not been considered in the trends to watch for these indicators. iii) For the "persistent at-risk-of-poverty rate" most figures are for the change 2011-2012, but where figures for 2013 are available (AT, CZ, DK, EE, FI, HU, MT and SI) the changes 2012-2013 are used.

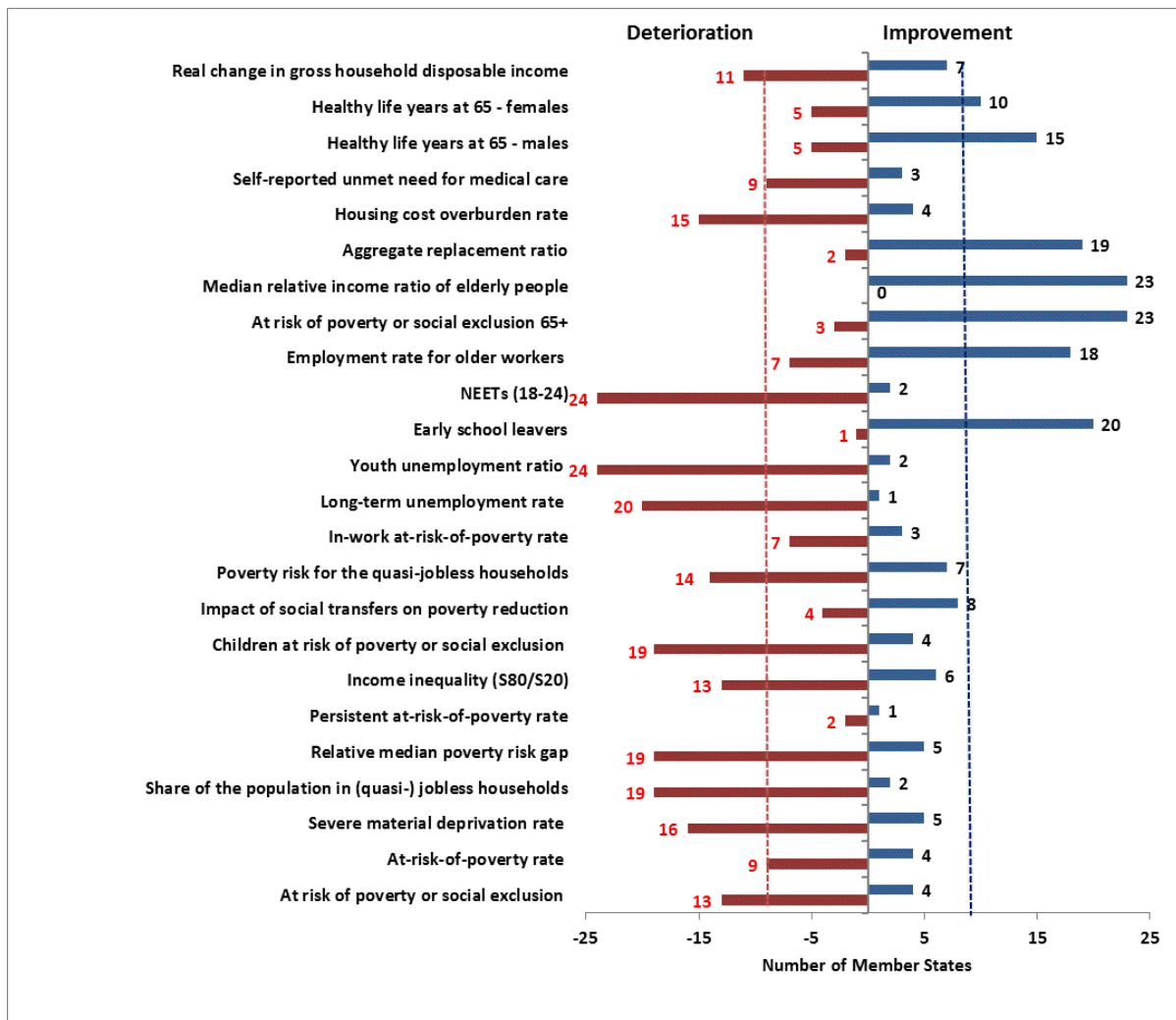
Figure 67 shows the evolution since the beginning of the Europe 2020 strategy. For most social areas, the situation has worsened considerably as a result of the economic crisis. The areas with the most substantial deterioration are:

- **youth exclusion** (significant increases in NEETs and youth unemployment ratio in almost all MS)
- **(long term) exclusion from the labour market** (increases in the long term unemployment rate and in the share of the population in (quasi-) jobless households in more than 2/3 of MS), together with rises in the poverty risk for (quasi-) jobless households in 14 MS

- **child poverty and social exclusion** (with 19 MS registering increases with reference to 2008)
- **increasing income inequality** (in 13 MS)
- rising **housing cost overburden rate for households** (in 15 MS)
- declines in **real gross household disposable income** (in 11 MS)
- increases in **self-reported unmet need for medical care** (9 MS)
- **increase in the level and the depth of poverty and deterioration in living conditions** (increases in the at-risk-of-poverty rate in 1/3 of MS and in the severe material deprivation rate and the poverty gap in around 2/3 of MS, increases in the overall at risk of poverty or social exclusion rate in ½ of all MS).

There have been also a number of improvements, notably in the areas of increasing number of healthy life years, especially among men, and significant decreases in the number of early school leavers in Europe (in 20 MS). The labour market situation of older workers has also improved markedly, as evidenced by improvements in the employment rate for the age group 55-64 in 2/3 of Member States. The relative situation of the elderly aged 65 and over also shows clear signs of improvement in almost all MS, with decreases in the number of elderly living in poverty or social exclusion as well as the improvement of their income situation with respect to the rest of the population. However, this trend should be read with great caution as it does not necessarily show improvement in absolute terms. As pension income remained stable during the economic crisis while the working age population suffered from substantial income loss (wage decreases, job loss, decrease in benefit levels), the relative, but not necessarily the absolute, position of the elderly has improved, highlighting the important role of pension systems.

Figure 67. Social trends to watch and areas of improvement for the period 2008-2013

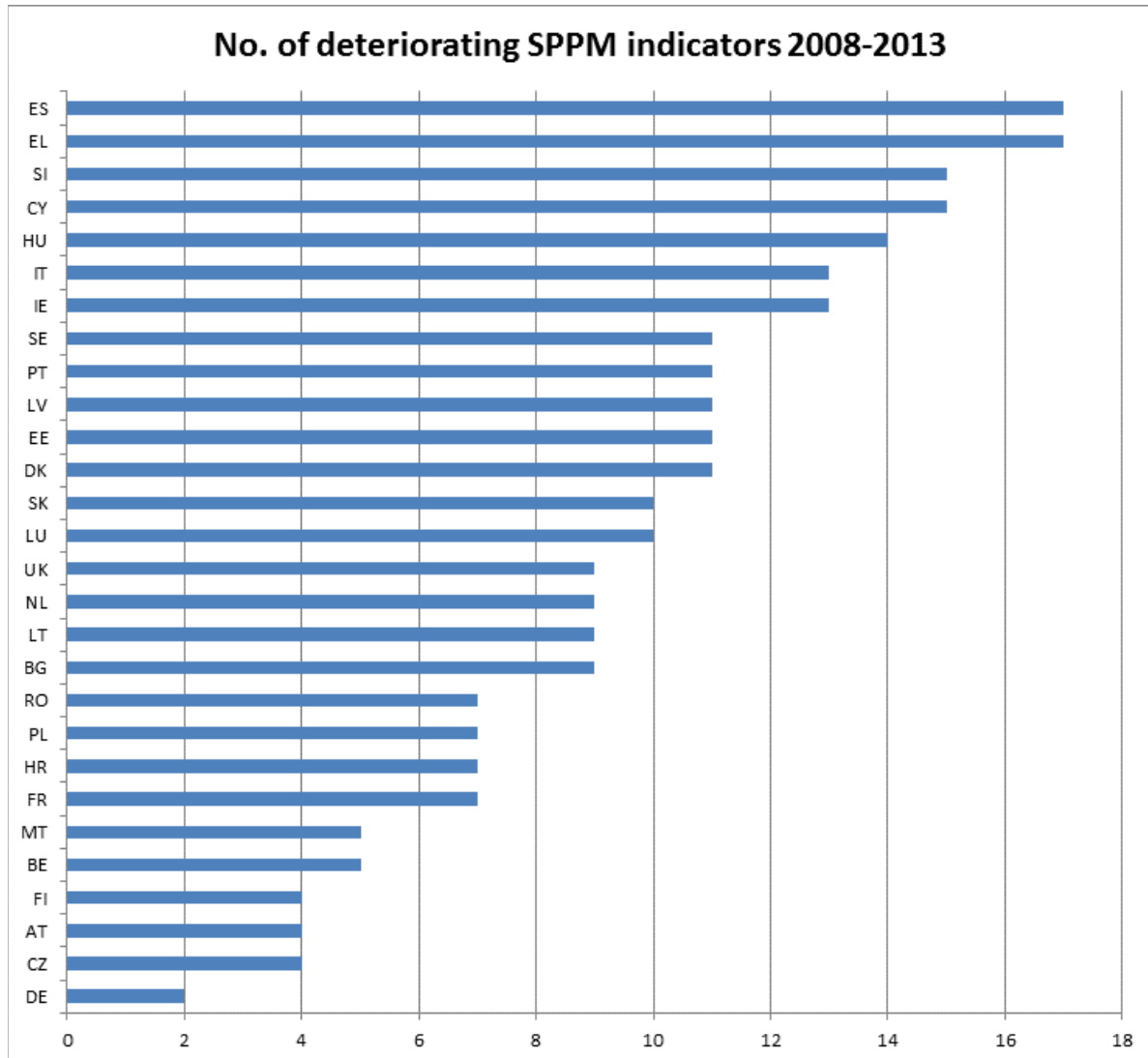


Source: Social Protection Performance Monitor

Note: i) Latest data available for Ireland refers to 2012 and changes are presented for the period 2008-2012 only; ii) Major break in series in 2013 in ES for income variables in EU-SILC, so longer term changes are presented for the period 2008-2012 only; iii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) For "the persistent at-risk-of-poverty rate" most figures are for the change 2008-2012, but where figures for 2013 are available (AT, CZ, DK, EE, FI, HU, MT and SI) the changes 2008-2013 are used.

Figure 68 shows the number of key social indicators included in the SPPM dashboard for which a given country has registered a statistically significant deterioration over the period 2008 to 2013. The Member States with the most worrisome outcomes are CY, EL, ES and SI with deterioration on 15 indicators or more. At the other end of the scale, AT, CZ, DE and FI have only registered statistically significant deterioration on 4 or fewer indicators.

Figure 68. Number of SPPM key social indicators with a statistically significant deterioration between 2008 and 2013 by Member State



Source: Social Protection Performance Monitor

Note: i) Latest data available for Ireland for EU-SILC based indicators refers to 2012 and changes for those indicators refer to the period 2008-2012 only; ii) Major break in series in 2013 in ES for income variables in EU-SILC, so longer term changes for EU-SILC based income indicators refer to the period 2008-2012 only; iii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) The bars refer to the number of SPPM indicators which have registered a statistically significant deterioration between 2008 and 2013 (for "persistent at-risk-of-poverty rate" the period covered is instead 2008-2012 due to data availability).

SPPM dashboard

	EU26	EU27	EAIS	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK			
Europe 2020	At-risk of poverty or social exclusion (in %)																																	
	2013	24.5	24.6	23.0	20.8	48.0	14.6	18.9	20.3	25.5	20.0	25.7	27.3	18.1	29.9	28.4	27.8	35.1	30.8	19.0	33.5	24.0	15.9	18.8	25.8	27.4	40.4	20.4	19.8	16.0	16.4	24.8		
	2012-2013 change in pp	-	-	-0.8	-1.3	-0.8	-	0.7	-	n.a.	1.1	n.a.	1.1	n.a.	-1.0	-2.7	-1.5	-1.1	-1.7	-	-	0.9	0.9	-	-0.9	2.1	-1.3	0.8	-	-1.2	0.8	0.7		
	2008-2013 change in pp	n.a.	0.6	1.3	-	-	-	2.6	-	-	6.3	7.6	3.7	-	n.a.	3.1	4.5	-	-	3.5	5.3	3.9	-	-1.8	-4.7	-	-3.8	1.9	-	-1.4	1.5	1.6		
	At-risk-of-poverty rate (in %)																																	
	2013	16.7	16.6	16.7	15.1	21.0	8.6	12.8	15.1	18.6	15.7	23.1	20.4	13.7	19.5	19.1	15.3	19.4	20.6	15.9	14.3	15.7	10.4	14.4	17.3	18.7	22.4	14.5	12.8	11.8	14.8	15.9		
	2012-2013 change in pp	-	-	-0.2	-	-	-1.0	-	-	1.1	n.a.	-	n.a.	0.4	-	-	0.6	-	3.0	0.8	-	0.6	0.3	-	-	0.8	-	-	1.0	-	-1.4	-	-2.8	
	2008-2013 change in pp	n.a.	-	-	-	-	-	-	-	3.0	1.4	1.2	2.2	-	-	0.6	-	-	6.5	2.5	1.9	-	-	-	-	-1.0	2.2	1.9	-1.8	2.6	-	-2.8		
	At-risk-of-poverty threshold for a single person household (in pps)																																	
	2013	n.a.	n.a.	n.a.	11,865	6,653	6,589	11,481	11,622	5,130	9,713	8,542	8,543	11,651	4,355	9,205	10,896	3,971	4,411	16,360	4,507	9,321	11,536	12,555	5,463	9,705	2,237	8,971	9,741	11,470	12,316	9,882		
2012-2013 % change	n.a.	n.a.	n.a.	6.9	-	-	-	-	8.4	n.a.	-9.7	n.a.	-	-	-	-	6.9	9.3	-	-	6.4	-	-	5.4	-	-	-	-	-	-	-			
2008-2013 % change	n.a.	n.a.	n.a.	18.1	27.1	9.5	8.7	7.6	13.0	-10.8	-24.5	-6.1	10.8	-	-	-	-7.4	5.8	-	-	13.9	17.1	-	10.5	35.3	-	21.7	-	41.3	15.3	35.3	-11.2		
Severe material deprivation rate (in %)																																		
2013	9.6	9.6	7.4	5.1	49.0	6.6	3.8	5.4	7.6	9.8	20.8	6.2	5.1	14.7	12.4	16.1	24.0	16.0	1.8	26.8	9.5	2.5	4.2	11.9	10.9	28.5	6.7	10.2	2.5	1.4	8.3			
2012-2013 change in pp	-	-	-1.2	-1.1	-	-	1.0	0.5	-1.8	n.a.	0.8	-	-0.2	-1.2	-2.1	-1.1	-1.6	-3.8	0.5	-	0.2	-	0.2	-	-1.6	2.3	-1.4	-	-0.4	-	0.5			
2008-2013 change in pp	n.a.	1.1	1.5	-	2.8	-	1.8	-	2.7	4.3	9.1	2.6	-	-	4.9	7.0	4.7	3.7	1.1	8.9	5.2	1.0	-1.7	-5.8	1.2	-4.4	-	-1.6	-1.0	-	3.8			
Intensity of poverty risk	Population living in (quasi-)jobless (i.e. very low work intensity) households (in %)																																	
	2013	10.7	10.6	10.9	14.0	13.0	6.9	12.9	9.9	8.4	23.4	18.2	13.7	7.9	14.8	11.0	7.9	10.0	11.0	6.6	12.6	9.3	7.8	7.2	11.2	6.4	8.0	7.6	9.0	7.1	13.2			
	2012-2013 change in pp	-	-	-	-	-	0.7	n.a.	-	-0.7	n.a.	4.0	1.4	-0.5	-2.0	0.7	1.4	-1.7	-	0.5	-	0.4	-	-	-	2.1	-1.0	0.5	-	-	1.4	0.2		
	2008-2013 change in pp	n.a.	1.5	1.7	2.3	4.9	-	4.4	-1.8	3.1	9.7	10.7	9.1	-	n.a.	1.2	3.4	4.6	5.9	1.9	-	-	1.1	-	-	5.9	-1.9	1.3	2.4	1.5	1.6	2.8		
	Relative median at-risk-of-poverty rate (in %)																																	
	2013	23.8	23.8	24.0	19.2	30.9	16.6	23.7	20.4	21.5	19.1	32.7	30.9	16.6	28.1	26.0	17.7	17.5	24.8	17.5	21.7	19.1	16.5	21.3	23.6	27.3	32.6	20.4	24.1	15.0	19.8	19.6		
	2012-2013 change in pp	-	-	-	-2.5	-	-	-	-2.3	n.a.	2.8	n.a.	-	-2.9	2.6	-4.8	-1.1	2.2	2.8	-	3.0	-	-	1.2	-	3.2	1.7	1.3	3.6	-	-	-1.3		
	2008-2013 change in pp	n.a.	2.0	2.8	2.0	5.9	-1.9	5.7	-1.8	1.2	1.4	8.0	7.0	2.1	3.1	5.0	2.4	-1.1	-	-	4.4	-1.2	1.6	1.4	2.0	4.1	-	1.1	6.0	-	1.8	-1.4		
	Persistence of poverty risk	Persistent at-risk-of-poverty rate (in %)																																
		2013*	10.2	10.2	10.1	9.9	12.9	4.1	5.1	10.4	9.3	-	13.8	11.6	7.0	-	13.1	8.3	12.8	12.3	7.1	8.0	8.5	3.8	8.8	10.7	11.4	18.2	7.9	8.6	7.0	-	8.9	
2012-2013* change in pp		-	-	-	-	-	-	-	-	-	n.a.	3.3	-	n.a.	n.a.	-	-	-	4.8	-	-	-	-	-	-	-	-	3.0	-	-	n.a.	-		
2008-2013* change in pp		n.a.	-	-	-	-	-	-	3.2	-4.3	-	-	-	n.a.	n.a.	-	-	-	-	-	-	-	-	-	-	-	n.a.	-	-	-	n.a.	n.a.		
Income quantile ratio (S80/S20)																																		
2013		5.0	5.0	5.0	3.8	6.6	3.4	4.3	4.6	5.5	4.7	6.6	6.3	4.5	5.3	5.7	4.9	6.3	6.1	4.6	4.2	4.1	3.6	4.1	4.9	6.0	6.6	3.6	3.6	3.6	3.7	4.6		
2012-2013 % change		-	-	-	-5.0	8.2	-	-	7.0	-	n.a.	-	n.a.	-	-	-	-	-	15.1	12.2	5.0	5.1	-	-	-	-	-	5.9	-	-	-	-8.0		
2008-2013 % change		n.a.	-	-	-7.3	-	-	-19.4	-	10.0	6.8	11.9	16.3	-	-	17.8	11.8	14.0	-13.7	-	11.2	16.7	-	-10.0	-	-	-5.7	5.9	5.9	-5.3	5.7	-17.9		
Child poverty and social exclusion		Children at risk of poverty or social exclusion (in %)																																
		2013	27.6	27.6	25.0	21.9	51.3	16.4	15.5	19.4	22.3	33.1	33.1	32.6	21.3	29.3	31.9	27.7	38.4	38.4	26.0	43.0	32.0	17.0	22.9	29.8	31.6	48.5	17.5	25.5	17.0	16.2	32.6	
	2012-2013 change in pp	-	-	-0.9	-	-	-2.4	-	-	n.a.	2.7	n.a.	-1.9	-5.3	-1.9	-	-	-1.8	3.3	-	-	-	-	-	-	3.8	-3.7	1.1	-	-1.9	-	1.4		
	2008-2013 change in pp	n.a.	1.0	1.2	-	7.8	-2.2	2.8	-	2.9	6.5	9.4	3.2	-	n.a.	2.8	6.2	6.0	6.0	5.1	9.6	7.0	1.5	-	-	-	2.1	-2.7	2.2	1.2	-2.1	1.6	3.0	
	Impact of social transfers (excluding pensions) on poverty reduction (in %)																																	
	2013	35.3	35.7	34.0	42.6	21.3	48.2	34.0	34.0	36.8	60.1	17.5	23.0	43.4	34.3	23.4	37.0	25.4	32.0	45.9	45.6	32.6	50.0	44.4	24.8	26.7	19.4	42.7	36.3	35.3	45.4	47.2		
	2012-2013 % change	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	2008-2013 % change	n.a.	-	-	-	-	-	-	-	5.7	9.6	-	7.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Effectiveness of social protection systems	At-risk-of-poverty rate for the population living in (quasi-)jobless households (in %)																																
		2013	56.6	56.5	59.7	60.7	72.0	52.5	41.0	63.7	78.4	46.7	58.4	63.3	60.5	64.2	57.9	52.4	67.9	66.0	51.9	58.9	65.2	39.8	50.2	59.4	59.4	49.3	56.8	73.6	50.7	70.7	41.2	
2012-2013 change in pp		-	-	-	-	-	-	-	-4.8	5.4	n.a.	-	n.a.	3.0	-	2.5	7.0	-	-	7.6	-	-	-	-	-	-	4.9	-	-	-	-	-4.8		
2008-2013 change in pp		n.a.	-	4.3	6.0	-5.8	-1.9	-	-	-5.9	-	18.1	7.4	10.7	n.a.	4.9	2.0	-15.4	-	1.5	10.4	3.6	-	-	-	-	10.2	6.2	-1.1	1.8	20.5	-5.6	23.3	-21.9
In-work at-risk-of-poverty rate (in %)																																		
2013		8.9	9.0	8.7	4.4	7.2	4.1	4.3	8.6	7.7	5.4	13.0	10.6	8.0	6.2	10.7	9.0	9.1	9.2	11.2	6.6	5.9	4.5	7.9	10.8	10.4	17.7	7.1	5.8	3.8	7.1	8.2		
2012-2013 change in pp		-	-	-	-0.1	-	-	-0.3	-1.4	0.9	-0.8	n.a.	-2.1	n.a.	-	-	1.0	-	-	1.5	0.9	1.3	0.7	-	-	-	0.5	-1.2	0.6	-	-	-0.3		
2008-2013 change in pp		n.a.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-	
Social consequences of labour market situation		Long-term unemployment rate (in %)																																
		2013	5.1	5.1	6.0	5.9	7.4	5.0	1.8	2.3	3.8	7.9	18.5	15.0	4.2	11.0	6.9	6.1	5.8	5.1	1.8	4.9	2.9	2.4	1.2	4.4	9.3	5.3	10.0	1.7	1.5	2.7		
	2012-2013 change in pp	-	-	-	-	-	-1.7	-1.2	4.0	2.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.6	-	-	-	-	-		
	2008-2013 change in pp	2.5	2.5	3.0	-	4.9	-	1.8	-1.4	2.1	6.2	14.8	11.0	1.4	5.4	3.8	3.6	3.9	3.8	-	1.3	-	-	-	3.0	9.2	1.0	3.3	3.3	-	-	-	1.3	

	EU28	EU27	EA15	EE	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SJ	SK	SI	UK										
Early school leavers (in %)																																	
2013	22.0	22.0	12.9	11.0	12.5	5.4	8.0	9.9	9.7	8.4	10.1	28.6	9.7	4.5	17.0	9.1	9.8	6.3	6.1	11.8	20.8	9.2	7.3	5.6	18.9	17.3	5.9	6.4	9.3	7.1	12.4		
2012-2013 change in pp	-	-	-1.0	-	-1.1	-	-1.3	-1.2	-1.1	-1.8	-	-2.0	-	-	-2.5	-	-	-	-2.0	-	-	-	-	-1.6	-	-	-1.6	-	1.1	-	-1.2		
2008-2013 change in pp	-2.7	-2.8	-3.5	-1.0	-2.3	-	-4.5	-1.9	-4.3	-3.9	-4.3	-1.8	-	-	-2.7	-4.6	-5.7	-1.2	-7.3	-	-6.4	-2.2	-2.8	-	-	-16.0	1.4	-1.2	-	-	-4.6		
Youth unemployment ratio (15-24)																																	
2013	9.9	9.8	9.8	7.3	8.4	6.0	8.1	4.0	7.4	10.6	16.5	21.0	8.9	14.9	10.9	14.9	9.1	6.9	4.0	7.4	6.9	7.7	5.4	9.1	11.3	7.3	7.3	10.4	10.3	12.8	12.1		
2012-2013 change in pp	-	-	-	1.1	-	-	-1.0	-	-1.1	-1.7	-	-	-	2.2	-	4.1	-2.4	-	-1.0	-	-	1.1	-	-	-	-	-	-	-	-	-	-	
2008-2013 change in pp	3.0	2.9	2.9	1.3	4.6	2.9	2.3	-1.5	2.5	3.9	9.9	9.3	1.8	7.3	4.3	11.1	3.3	2.9	-1.2	2.4	-	3.8	-	3.4	6.5	1.6	2.8	4.2	1.5	2.1	2.9		
NEET (18-24)																																	
2013	27.0	16.9	16.9	16.0	25.9	11.8	8.1	8.8	14.5	20.5	28.2	24.0	14.6	27.0	29.3	27.1	18.2	15.2	6.7	20.1	10.1	6.7	8.7	18.4	18.8	21.2	11.5	17.8	12.6	9.9	17.3		
2012-2013 change in pp	-	-	-	1.0	-	-	-1.0	-	-3.3	-	-3.3	-	-1.6	4.8	3.3	4.8	-1.2	-	-1.1	-	-1.2	1.0	-	-	-	-	-	-	-	-	-		
2008-2013 change in pp	3.1	3.0	2.8	2.7	4.3	2.9	2.4	-3.0	3.4	3.1	12.6	7.3	1.1	13.7	8.6	13.7	1.8	2.8	-1.9	4.8	2.4	2.1	-	4.1	6.1	7.8	3.6	3.4	2.7	-	1.9		
Employment rate for older workers (55-64), in %																																	
2013	50.2	50.3	50.0	41.7	47.4	51.6	61.7	68.6	62.6	51.3	35.6	49.2	45.6	37.8	42.7	49.6	34.8	33.4	40.5	38.5	36.3	40.1	44.9	40.6	46.9	41.5	31.5	44.0	34.5	73.6	50.8		
2012-2013 change in pp	1.5	1.4	1.4	2.2	1.7	2.3	-	2.0	2.1	2.0	-	-	1.1	1.1	2.0	1.7	-	1.6	1.6	1.5	1.8	1.9	-	-	-	-	-	-	-	-	-	1.7	
2008-2013 change in pp	4.7	4.7	5.6	7.2	1.4	4.0	3.3	9.0	-	-2.4	-7.4	-2.3	7.4	1.1	8.3	-5.2	-4.3	-	6.4	7.1	6.2	7.1	6.2	9.0	3.8	-1.6	-	-	-	-	-	1.8	
At risk of poverty or social exclusion rate for the elderly (65+), in %																																	
2013	28.3	18.2	16.5	19.5	57.6	10.4	11.4	16.0	14.7	28.0	14.7	23.1	14.5	10.4	31.9	22.8	26.1	38.1	31.7	7.0	10.0	20.8	6.1	16.2	19.7	20.3	35.0	21.0	13.6	16.8	16.5	18.1	
2012-2013 change in pp	-1.1	-1.0	-1.0	-1.7	-1.5	-	-3.2	-	6.2	n.a.	-	n.a.	n.a.	-0.7	-	-2.6	-7.3	2.4	-4.0	0.9	-1.6	-1.5	-	-3.7	-1.9	-0.7	-	-2.7	-1.4	-0.8			
2008-2013 change in pp	n.a.	-5.2	-3.9	-3.4	-7.9	-2.1	-7.2	-	-12.9	-7.8	-5.0	-11.1	3.7	n.a.	-1.8	-32.2	-22.7	-6.4	1.6	1.5	-5.2	-8.6	-5.0	-7.2	-7.4	-14.2	-1.4	-8.3	-7.1	1.0	-10.4		
Median relative income ratio of elderly people																																	
2013	0.93	0.93	0.94	0.76	0.76	0.85	0.76	0.89	0.69	0.88	1.04	1.00	1.02	0.88	0.96	0.77	0.77	0.81	1.13	1.06	0.79	0.90	0.95	0.98	0.84	1.04	0.87	0.90	0.78	0.81	0.87		
2012-2013 % change	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2008-2013 % change	n.a.	9.4	9.3	-	-15.2	7.6	8.6	-	11.3	18.9	20.9	17.7	7.4	17.3	9.1	30.5	45.3	14.1	16.5	5.0	8.2	7.1	8.0	-	13.3	22.4	-	13.9	8.3	-	17.6		
Aggregate replacement ratio																																	
2013	0.56	0.56	0.56	0.47	0.56	0.44	0.47	0.50	1.0	0.60	0.60	0.64	0.37	0.62	0.40	0.47	0.48	0.78	0.61	0.56	0.47	0.59	0.60	0.59	0.60	0.59	0.65	0.46	0.61	0.49	0.58	0.53	
2012-2013 % change	-	-	-	-7.1	-	-	-	-	n.a.	15.4	n.a.	-	-	6.9	-	6.7	-	5.1	21.7	-	-	-	-	-	-	-	-	-	-	-	-	6.0	
2008-2013 % change	n.a.	12.0	12.0	-	-14.7	9.8	7.3	6.8	11.1	n.a.	46.3	18.4	-	-21.3	21.6	21.2	56.7	9.1	34.5	-	36.6	9.3	-	7.1	15.7	32.7	-	13.0	-	-	-	-4.5	23.3
Self-reported unmet need for medical care																																	
2013	3.6	3.6	0.0	1.9	8.9	1.0	1.3	1.6	8.4	3.3	9.0	0.8	2.7	3.3	7.2	4.4	10.9	3.2	0.9	1.4	0.9	0.4	0.4	8.8	3.0	10.4	0.0	1.9	4.3	1.9	1.6		
2012-2013 change in pp	-	-	n.a.	-	-	-	-	-	1.0	-	-	-	-	-	3.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2008-2013 change in pp	n.a.	-	n.a.	n.a.	-6.4	-	-	-	1.1	1.5	3.6	-	-	n.a.	1.9	1.6	4.1	-2.3	-	-1.0	-	-	-	-	2.8	1.9	-	-	-	-	-	-	
Healthy life years at 65+ males																																	
2013	8.5	1.0	10.7	8.7	8.9	10.6	6.7	5.4	10.9	8.6	9.2	9.4	8.0	n.a.	7.7	7.7	8.8	5.9	5.6	11.6	6.4	12.5	10.0	8.9	7.4	9.9	5.9	7.3	3.5	8.4	13.9	10.5	
% change to 2008	n.a.	n.a.	-	-	-10.7	-11.7	6.3	35.0	17.2	-	-7.1	8.0	n.a.	-	-6.4	8.2	-	8.4	14.3	19.0	-	20.3	5.7	47.8	-68.4	-20.7	16.7	5.0	6.1	-	-		
Healthy life years at 65+ females																																	
2013	8.5	1.0	11.1	9.5	8.9	12.9	6.9	5.5	12.2	7.3	9.0	10.4	7.9	7.1	7.7	6.8	6.1	11.9	6.4	12.3	10.1	9.5	7.8	9.0	5.1	6.9	3.1	9.0	15.5	10.5	10.5		
% change to 2008	n.a.	n.a.	n.a.	6.7	-	8.5	-	-	31.0	18.4	-12.0	-	-	n.a.	-	28.0	-6.2	-	5.1	-	26.7	-	63.4	-35.4	-26.6	14.8	-	10.7	-	-	-		
Housing cost overburden rate																																	
2013	11.0	11.0	11.3	9.6	14.3	11.2	18.9	18.4	7.2	6.6	16.9	10.3	5.0	8.4	8.7	3.3	11.4	8.2	5.6	12.7	2.6	15.2	7.2	10.3	8.3	15.4	6.0	8.3	4.9	7.8	7.9		
2012-2013 change in pp	-	-	-	-1.4	-	1.7	-	-0.7	n.a.	3.8	n.a.	-0.2	1.6	0.8	-	0.7	0.8	-	0.7	0.8	-	1.3	-	-	-	-1.1	0.8	-	0.4	-	0.8		
2008-2013 change in pp	n.a.	-	3.0	-2.9	1.0	-1.1	1.8	n.a.	3.6	3.3	14.7	4.2	n.a.	n.a.	-	3.5	2.7	3.4	1.9	1.1	n.a.	2.0	1.1	-	-	-3.3	1.6	2.7	-	-	-	-8.4	
Real change in gross household disposable income (in %)																																	
2013	0.1	n.a.	-0.2	-0.2	n.a.	-2.3	-1.8	0.6	n.a.	n.a.	8.7	0.2	-	n.a.	-1.3	n.a.	9.4	4.8	n.a.	0.3	n.a.	-1.0	-1.9	n.a.	-0.7	n.a.	-1.2	1.9	-0.5	n.a.	-0.2		
2012-2013 % change	-0.1	n.a.	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1		
2008-2013 % change	-0.1	n.a.	-2.5	0.7	n.a.	-3.1	2.5	3.4	n.a.	n.a.	-31.9	-6.3	2.4	n.a.	-9.0	n.a.	-14.6	-6.2	n.a.	5.5	n.a.	-1.6	-1.6	n.a.	-6.8	n.a.	-5.8	1.7	3.7	n.a.	2.5		

Note: i) Only statistically significant evolutions have been highlighted. Eurostat calculations on statistical significance of net change have been used for the following indicators: for the period 2012-2013 – AROPE, AROP, SMD, (quasi-)jobless households (i.e. VLWI households), persistent poverty rate, IMP, Children AROPE, AROPE 65+, AROP in (quasi-)jobless households, housing cost overburden rate, for the period 2008-2013 – AROPE, persistent poverty rate. In all the remaining cases (except for real GHI growth where any non-zero result is shown as significant) a 1pp threshold has been used for all indicators but the indicators based on ratios and the healthy life years indicators for which a 5% threshold has been used as specified in the SPPM methodological paper approved by the SPC. ii) No 2013 data for IE for SILC-based indicators, so for these figures refer to 2012 and changes are presented for the period 2008-2012 only; iii) Breaks in series in 2013 for all EU-SILC income-based indicators for ES, so no latest year changes are shown while longer term changes are presented for the

period 2008-2012 only; iv) For UK, changes in the EU-SILC survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious;

Summary table of the statistical significance rules applied for each SPPM indicator

Indicator	Significance thresholds used	
	change 2012-2013	change 2008-2013
At risk of poverty or social exclusion (in %)	Estat estimates	Estat estimates
At-risk-of-poverty rate (in %)	Estat estimates	>+-1pp
At-risk-of-poverty threshold for a single person household (in pps)	>+-5%	>+-5%
Severe material deprivation rate (in %)	Estat estimates	>+-1pp
Population living in (quasi-)jobless (i.e. very low work intensity) households (in %)	Estat estimates	>+-1pp
Relative median at-risk-of-poverty gap (in %)	>+-1pp	>+-1pp
Persistent at-risk-of-poverty rate (in %)	Estat estimates	Estat estimates
Income quantile ratio (S80/S20)	>+-5%	>+-5%
Children at risk of poverty or social exclusion (in %)	Estat estimates	>+-1pp
Impact of social transfers (excluding pensions) on poverty reduction (in %)	>+-5%	>+-5%
At-risk-of-poverty rate for the population living in (quasi-) jobless households (in %)	Estat estimates	>+-1pp
In-work at-risk-of-poverty rate (in %)	Estat estimates	>+-1pp
Long-term unemployment rate (in %)	>+-1pp	>+-1pp
Early school leavers (in %)	>+-1pp	>+-1pp
Youth unemployment ratio (15-24)	>+-1pp	>+-1pp
NEET (18-24)	>+-1pp	>+-1pp
Employment rate for older workers (55-64), in %	>+-1pp	>+-1pp
At risk of poverty or social exclusion rate for the elderly (65+), in %	Estat estimates	>+-1pp
Median relative income ratio of elderly people	>+-5%	>+-5%
Aggregate replacement ratio	>+-5%	>+-5%
Self-reported unmet need for medical care	>+-1pp	>+-1pp
Healthy life years at 65 - males	n.a.	>+-5%
Healthy life years at 65 - females	n.a.	>+-5%
Housing cost overburden rate	Estat estimates	>+-1pp
Real change in gross household disposable income (in %)	+ or -	+ or -

Views of the European Social Partners



UEAPME comments:

Draft Annual Report of the Social Protection Committee on the social situation in the EU

General comments

- UEAPME, the European Association of Crafts and SMEs, welcomes the in-depth analysis of social policy challenges and trends of the SPC report, which complements other publications, such as the annual Joint Employment Report.
- The economic recovery still remains fragile with weak and uneven signs of growth, and high unemployment levels, including notably long-term unemployment. In relation to this, poverty and social exclusion have risen over the past few years in most Member States, which translates into little progress in reaching the EU's social poverty target. Further efforts are needed by Member States in line with the integrated approach of the Annual Growth Survey on boosting investments, structural reforms and growth-friendly fiscal responsibility.
- The findings show that those countries with less segmented labour markets, solid industrial relations and "strong" welfare systems have tended to fare better during the crisis. However, we consider that more focus should be put on effectiveness, efficiency and sustainability of social protection spending, since many countries are affected by tighter budgets and have to achieve better results with fewer resources.

Specific comments

- UEAPME agrees that structural long-term unemployment which has been exacerbated by the crisis is a major driver of increasing trends in poverty and social exclusion. In fact, it has more than doubled since 2008, and is continuing to rise with the worrying phenomenon of "very-long term unemployment", i.e. over two years constituting about 60% of the total long-term unemployed. This bears a significant risk of individuals not returning to the labour market at all.
- SMEs play a vital role for job creation and contributing to social cohesion at local level. On the demand side, further efforts are needed to create a more favourable business environment including in relation to employment regulation, and support investments for small enterprises in accordance with the Juncker Investment Plan. On the supply side, work needs to be made more attractive. Diverse contractual arrangements are a stepping stone into the labour market. Wages should be in line with productivity and taxes shifted from labour. Non-wage labour costs should be reduced in particular for low-skilled or low-paid workers, and those affected by in-work-poverty to provide incentives to stay in work.
- Individually targeted Active Labour Market Policies policies, including early activation, are vital to cater for different groups. However, the report shows differences in the EU, for example that only a number of Member States is taking into account the needs of those furthest from the labour market. We believe this should be extended to all Member States.

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- ALMP need to be implemented in an integrative manner with well-functioning public employment services and enabling support services, such as childcare or transport. ALMP should also focus on matching labour supply and demand by helping unemployed to be retrained and to acquire skills needed on the labour market. In this respect, we welcome that the role of social partners has been identified as one of the key success factors regarding cooperation with relevant actors to tackle labour market barriers and hence achieve more inclusive labour markets.
- 15.9% of all young people are not in employment, education or training, and they are also at highest risk of poverty among all age groups. They are also much likely to have low levels of education, compared to their age cohort. It is thus urgent to speed-up implementation of the Youth Guarantee and the Youth Employment Initiative. UEAPME stresses that it requires addressing administrative bottlenecks, possible pre-financing issues, and continuous reforms of labour markets and education and training systems, in order to improve basic skills, tackle skills mismatches, and ensure a greater focus on learning outcomes in line with labour market needs.
- In this context, EU social partners have adopted their first implementation report on the Framework of Actions on Youth Employment¹, which demonstrates a wide range of social partner activities on promoting learning, transitions, employment and entrepreneurship for young people. On a positive note, some progress has been achieved in lowering early school leaving.
- As highlighted in the report, there is a positive link between human capital, productivity and growth. In our view, social protection policies should therefore further improve the link to enhancing skills and competences across the lifecycle, including to prevent exclusion. Quality vocational training and work-based learning, also at a higher level, have proven to facilitate transitions from education to the labour market, and more should be done to support SMEs as key providers of apprenticeships, work-based and informal learning.
- We note favourably some improvements for older workers, including female older workers, which have led to a higher effective retirement age. On pensions, findings show that Member States have had some success in better tackling early labour market exits and linking retirement age to longevity, which also helps to promote the adequacy and sustainability of pensions. Yet more emphasis should lie on strengthening the development of occupational pensions and complementary private savings to ensure a more adequate retirement income spread across pillars, as well as providing incentives for companies to adapt workplaces.
- The European Social Fund plays an important role in tackling social exclusion. The report could be complemented with good practices of how Member States are efficiently using it for facilitating the effective reintegration of people into the labour market.

03/02/15

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¹ <http://www.ueapme.com/IMG/pdf/1st-follow-up-report-FoA-Youth-Sept-2014-Final.pdf>



General economic and social situation

BUSINESSEUROPE shares the analysis in the SPC report that there is a slight improvement in the overall economic and social situation in the EU, however, whereas the report states that there has been strong growth in some countries, overall the economic recovery lacks momentum. Positively, the report states that there has been some growth in employment in most member states. But in BUSINESSEUROPE's view, overall this is still weak. While economic and employment growth continues at a slow pace, we are equally concerned about continuing high levels of unemployment, particularly in the euro area and among young people.

Differences remain between member states in terms of the resilience of their social systems and labour markets to deal with the impact of the crisis. This is due to structural weaknesses that already existed before the crisis. We agree that well-functioning and efficient welfare systems, as well as effective industrial relations can have a positive impact. But in fact, what really made a difference is where countries undertook labour market reforms before the crisis – such countries, e.g. Germany, have fared better. Also, more recent structural labour market reforms have paid off – as evident in the positive growth figures for Spain (+0.5% in the 3rd quarter of 2014), Portugal (+0.3% in the 3rd quarter of 2014) and Ireland, which experienced the strongest Eurozone growth rate in 2014 - 4.8%. This compares with a 3% decline in 2008. There was also an increase in employment of 2% in Ireland last year.

Therefore, there should be more focus on structural reforms to increase growth and ensure an employment-rich recovery. This is the basis for sustaining our already well-developed national social systems. The priority is to build consensus on a European framework for national labour market reforms. To achieve this, EU employment and social policies should mobilise relevant actors, available resources and tools in a consistent policy approach aiming to reach the 75% employment rate target by 2020.

The conditions need to be right for European companies to be able to generate jobs, especially, as recognized in the report, since some groups (women, young people, older workers) continue to be under-represented in employment. The main issues to be addressed are unnecessary rigidities in labour law, excessively high non-wage labour costs and skills mismatches. Reducing the tax burden on labour, including targeted cuts in employer's social security contributions will encourage employers to hire more staff. We welcome the Eurogroup common principles for reforms which recommend reducing the tax wedge on labour and hope that this leads to concrete measures at national level.

As well as facilitating job creation, we agree that labour market activation measures are necessary. Despite costly employment policies, both in terms of passive and active support, the EU underperforms in terms of activating the unemployed. Further measures are needed to ensure that work is an economically attractive

option compared to welfare benefits, especially for low- income earners, by reducing the tax wedge on employment to avoid unemployment traps. We agree on the importance of re-training workers to adapt skills to the labour market as well as programmes tailored to the individual, in particular to avoid those becoming long-term unemployed. Any new labour market activation measures should be accompanied by efforts to reduce obstacles for those persons who have difficulties entering the labour market, e.g. insufficient flexibility of employment resulting from special or enhanced protection, from dismissal and excessive red tape.

We agree on the urgent need to tackle youth unemployment, but also the rising number of NEETs, to avoid losing an important contribution of human potential to the labour market. We note that whilst long-term unemployment for young people is often linked to a lack of qualifications and skills, the crisis has also increased the difficulties of young people with medium or high level qualifications. This highlights the ongoing problems of skills mismatch and lack of jobs. It is also no surprise for employers that overall vocational education systems with a strong component of work-based learning have been more successful in supporting young people in their transition from education and training to work. BUSINESSSEUROPE is leading a project that aims to explore the business case for apprenticeships by focusing on the cost-effectiveness of apprenticeship schemes in the ICT, commerce and engineering sectors.

Positively, there has been an increase in the employment rate of older workers, rightly recognizing that this is partly due to incentives to work longer, including tax and benefit reforms and financial incentives. Further improvements are possible and desirable, in particular in some countries – the EU could usefully facilitate learning between member states on this. We confirm that the increase in the employment rate is also due to the contribution of age management policies in companies.

Social protection systems

It is important to recall that social spending in Europe is high in global comparisons. We agree with the analysis that there are large differences between member states in the effectiveness of social spending, for example in alleviating poverty. More targeted and efficient use of social spending at national level should therefore be encouraged. It is also important to bear in mind the lack of access and take-up of social benefits in some cases, due to administrative complexities and lack of information.

As identified in the 2015 Annual Growth Survey, social protection systems need to be modernised to effectively and efficiently address labour market exclusion. As highlighted in the SPC report, social protection systems need to provide a combination of well-designed adequate income support, which does not result in unemployment/inactivity traps, quality enabling services and activating measures.

Social protection schemes have acted as automatic stabilisers during the crisis. At the same time, the fact that the crisis has endured puts pressure on these systems and national budgets. Reducing unemployment helps to alleviate this pressure, through less use of unemployment benefit and social assistance schemes. In terms of reducing budget deficits, it is positive in 2014 that around 2/3 of member states recorded a persistent decrease in the number of unemployment benefit recipients compared to 2013, although, clearly this has to

be looked at in terms of the number of those people entering employment, rather than moving into social assistance schemes.

Minimum income schemes act as a last resort and exist in almost all member states. It is important that eligibility for such schemes is linked to availability for work and combined with activation measures. This is the case in some member states: progress was made in Spain with an employment activation programme agreed in collaboration with the Autonomous Communities; there have been positive changes in the Czech Republic, Portugal and Poland, where new instruments have been designed for certain groups and measures introduced to improve the functioning of Public Employment Services. However, progress has not been made in all member states and there is still a need to make systems more efficient. The EU could usefully facilitate benchmarking and exchange of experience between members states on this subject. Creating an EU framework in this area would not be appropriate given the diverse design, eligibility, and benefit levels of such schemes.

Poverty

We note the lack of progress to reach the EU2020 poverty target. At the same time, it is positive to note that the situation has improved in some member states. We note that this is part of a more nuanced picture across the EU in terms of the social situation and living conditions of the population. As has been seen throughout the crisis, those at risk of poverty are mainly of working age. This shows the correlation with the number of (quasi) jobless households and the rate of unemployment, as is also the case regarding a specific poverty indicator - the rate of severe material deprivation.¹⁵² We also note the rise in in-work poverty, although the situation is very different across EU member states. This shows the importance of well-designed automatic stabilizers.

Poverty has a multi-dimensional nature, however ensuring access to employment remains the best solution. Other policies are also important, for example ensuring education and training systems equip people for the labour market. Reducing taxes on labour in particular for lower skilled jobs and boosting productivity of less productive jobs can both help to address in-work poverty and mitigate the increasing polarization of labour markets. When considering the possible role of minimum wages to reduce poverty, member states need to fully consider the impact on employment. High minimum wages create barriers to employment in particular for low skilled workers, thereby reducing their job opportunities.

There are also differences between population groups – for example the situation of the elderly has improved in relative terms. This is due partly to stable pension income -the objective now must be to ensure longer working lives to make sure this is sustainable for future generations.

Policy coordination

We are convinced of the value of monitoring the progress made in national reforms, implementation of the EU2020 strategy, and of having a better understanding of social developments. This monitoring should provide accurate information for member states to

¹⁵² DG ECFIN Economic Brief May 2014 (figure 5).

adjust social protection systems, education and training systems and labour market regulations, where they do not perform well. Social partners at EU and national levels should be part of this monitoring process.

There are divergences within the EU, in terms of labour market policies and outcomes, with more positive trends in some countries compared to others. The EU therefore has a role in facilitating learning between countries, with the aim of improving the functioning of labour markets across the board. To steer the reform process, the EU should set up a fresh approach on benchmarking. The Social Protection Committee should continue to provide a platform for such actions, through for example the in-depth thematic reviews. The European social partners should be better informed about and where appropriate involved in these activities.

For more information, see BUSINESSEUROPE brochure Future of Social Europe.

European Trade Union Confederation (ETUC)

What is called a fragile or modest recovery of the economy is non-existent for millions of European citizens and workers still unemployed and / or in precarious working and living conditions. It is premature to speak of the (social) crisis being over while unemployment is still unacceptably high, long term unemployment is becoming increasingly structural, and poverty is still on the rise. This will lead to more political instability and unrest. The Greek election results clearly showed that a new Path for Europe is needed – something the ETUC has been calling for over the past few years.

The actual SPC report takes stock of the social situation in Europe as does the latest Employment and Social Developments Report 2014.

The ETUC shares the bleak picture drawn there as well as most of the concerns expressed in this report. In addition the ETUC would like to take the opportunity to complement and underline the following aspects:

Economic forecast and labour market prospects

The actual forecast underestimates the risk of deflation. An ambitious investment plan is needed to fight stagnation or deflation and generate employment in Europe. Reforms need to focus on quality jobs, raising wages and improving skills.

Europe needs strong social investments. Social protection systems must not merely be reduced to instruments of adjustment in the context of fiscal consolidation. They serve another purpose mainly in providing a safety net, stabilising living conditions, reducing poverty and the at-risk-of-poverty rate and contributing to aggregate demand. They are also important for activation and support measures for people to find their way into or back into work. It is worth making the link and quoting the actual ESDE 2014 report: *'People receiving unemployment benefit schemes have a better chance of taking up a job than non-recipients and that adequate and widely available systems of income support do not prevent or discourage returns to employment... Research also shows that receiving adequate income support also provides workers with enough time to search for a job matching their skills and/or to strengthen those skills where necessary.'* (ESDE, 2014, p. 27)

The ETUC proposes for example that social investment, for example in education, training, research and development, should be excluded from the calculation of public deficit and debt within the Stability and Growth Pact.

In-work poverty and access to ALMP

Long term (youth) unemployment is becoming an increasingly worrying trend in Europe which leads to a lot of negative consequences for the individual and society as a whole, not only in the short term but especially in a long term perspective and over an individual life span. Both the SPC report and the ESDE 2014 report effectively illustrate these detrimental effects. From an ETUC point of view it is necessary to highlight the fact that the jobs created in the last quarters are mainly temporary contracts and that the rise in involuntary part time work is considerable. This points directly to the fact that job quality in Europe has dramatically deteriorated. Therefore the ETUC calls on policy makers to place job quality, not just quantity, back on the agenda. All proposed EU economic governance measures must be assessed for their impact on employment and job quality, as well as their social impact.

Europe cannot afford to become 'competitive' via low wages, job insecurity and precarious employment.

In-work poverty is the driving force behind increased poverty in general. *"ETUC/ETUI observed over the last five years the highest risk of poverty remains with households of single parents. However the AROP indicator increased substantially for households of single persons and of two adults without children, pointing to the fact that households of relatively young people are faced with the deterioration of their labour market prospects in prime working age."* (Benchmarking Working Europe, 2014 p.49)

From a gender perspective there is an urgent need to assess poverty and in-work poverty not only at household level but also on an individual level because this leads directly to a variety of further questions related to access to social protection systems, eligibility criteria for active labour market instruments, adequacy of pension entitlements and so on. The question may be raised whether a concept of gender accounting over a working life could be considered a way forward to assess policy options and measures. The ETUC also supports the call from Employment and Social Affairs Ministers in the June 2014 Council Conclusions on "Women in the economy: economic independence from the perspective of part-time work and self-employment" for a pillar on gender equality within the Europe 2020 governance framework.

Active Ageing

The Active Ageing Agenda must be pursued at national and European level. Exchange of policies that work is crucial. The policy focus however should not be on extending the legal pension age but on how older workers can be assisted to remain in

employment up to their pensionable age (raising the effective retirement age). This is a point which the SPC has already raised in previous documents and which the ETUC fully supports. Employers and their representative organisations play an important role in changing the attitude towards older workers in the labour market. It is also important to take into account work preferences of working men and women over 50 years old. Evidence exists already. It is time to start social dialogue at all level to move our societies in such a direction that enables longer working lives in good health.

Minimum Income

The existence of adequate minimum income schemes proved to be an important stabiliser throughout the crisis. The ongoing discussion, the research carried out so far, the OMC on this topic are important factors to further develop such systems or to introduce them in countries where they do not exist. The ETUC is in favour of a European approach to set common principles and create a social standard for minimum income schemes.

Country Profiles

TO BE ADDED ONCE VALIDATED BILATERALLY

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Definitions and data sources

Indicator	Definition	Data source
At risk of poverty or social exclusion rate	The sum of persons who are: at-risk-of-poverty or severely materially deprived or living in quasi jobless households (i.e.with very low work intensity) as a share of the total population	Eurostat – EU SILC
At-risk-of-poverty rate	Share of persons aged 0+ with an equivalised disposable income below 60% of the national equivalised median income. Equivalised median income is defined as the household's total disposable income divided by its "equivalent size", to take account of the size and composition of the household, and is attributed to each household member. Equivalisation is made on the basis of the OECD modified scale.	Eurostat – EU SILC
Severe material deprivation rate	Share of population living in households lacking at least 4 items out of the following 9 items: i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, or could not afford (even if wanted to) vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone.	Eurostat – EU SILC
Share of population(0-59) in (quasi-) jobless, i.e. very low work intensity (VLWI), households	People aged 0-59, living in households, where working-age adults (18-59) work less than 20% of their total work potential during the past year.	Eurostat – EU SILC
Relative poverty risk gap rate	Difference between the median equivalised income of persons aged 0+ below the at-risk-of poverty threshold and the threshold itself, expressed as a percentage of the at-risk-of poverty threshold.	Eurostat – EU SILC
Persistent at-risk-of-poverty rate	Share of persons aged 0+ with an equivalised disposable income below the at-risk-of-poverty threshold in the current year and in at least two of the preceding three years.	Eurostat – EU SILC

Income quintile ratio S80/S20	The ratio of total income received by the 20% of the country's population with the highest income (top quintile) to that received by the 20% of the country's population with the lowest income (lowest quintile). Income must be understood as equivalised disposable income.	Eurostat – EU SILC
At risk of poverty or social exclusion rate of children	The sum of children (0-17) who are: at-risk-of-poverty or severely materially deprived or living in (quasi-)jobless households (i.e. households with very low work intensity (below 20%) as a share of the total population	Eurostat – EU SILC
Impact of social transfers (excluding pensions) on poverty reduction	Reduction in the at-risk-of-poverty rate in % due to social transfers, calculated as the percentage difference between the at-risk-of-poverty rate before and after social transfers	Eurostat – EU SILC
At-risk-of-poverty rate for the population living in (quasi-)jobless (i.e. very low work intensity) households	Share of persons aged (0-59) with an equivalised disposable income below 60% of the national equivalised median income who live in households where working-age adults (18-59) work less than 20% of their total work potential during the past year.	Eurostat – EU SILC
In-work at-risk-of-poverty rate	Individuals (18-64) who are classified as employed according to their most frequent activity status and are at risk of poverty. The distinction is made between “wage and salary employment plus self-employment” and “wage and salary employment” only.	Eurostat – EU SILC
Long-term unemployment rate (active population, 15+)	Total long-term unemployed population (≥ 12 months' unemployment; ILO definition) as a proportion of total active population.	Eurostat – LFS
Youth unemployment ratio	Total unemployed young people (ILO definition), 15-24 years, as a share of total population in the same age group (i.e. persons aged 15-24 who were without work during the reference week, were currently available for work and were either actively seeking work in the past four weeks or had already found a job to start within the next three months as a percentage of the total population in the same age group).	Eurostat - LFS
Early leavers from education and training	Share of persons aged 18 to 24 who have only lower secondary education (their highest level of education or training attained is 0, 1 or 2 according to the 1997 International Standard Classification of Education – ISCED 97) and have not received education or training in the four weeks preceding the survey.	Eurostat – LFS

NEET (18-24)	Share of young people aged 18-24 not in employment, education or training	Eurostat - LFS
Employment rate of older workers	Persons in employment in age group 55-64, as a proportion of total population in the same age group.	Eurostat – LFS
At risk of poverty or social exclusion rate of the elderly	The sum of elderly (65+) who are: at-risk-of-poverty or severely materially deprived or living in (quasi-)jobless households (i.e. with very low work intensity) as a share of the total population in the same age group.	Eurostat – EU SILC
Median relative income ratio of elderly people	Median equivalised disposable income of people aged 65+ as a ratio of income of people aged 0-64.	Eurostat – EU SILC
Aggregate replacement ratio	Median individual pension income of 65-74 relative to median individual earnings of 50-59, excluding other social benefits ¹⁵³	Eurostat – EU SILC
Housing cost overburden rate	Percentage of the population living in a household where total housing costs (net of housing allowances) represent more than 40% of the total disposable household income (net of housing allowances).	Eurostat – EU SILC
Share of the population with self-reported unmet need for medical care	Total self-reported unmet need for medical examination for the following three reasons: financial barriers + waiting times + too far to travel.	Eurostat – EU SILC
Healthy life years at 65	Number of years that a person at 65 is still expected to live in a healthy condition. To be interpreted jointly with life expectancy (included in the SPPM contextual information).	Eurostat
Change in real gross household disposable income (GHDI)	Real growth in gross household disposable income (GHDI). Real GDHI is calculated as nominal GDHI divided by the deflator of household final consumption expenditure.	Eurostat - National accounts
GDP growth/ GDP per capita (in PPS)	Gross domestic product (GDP) 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. The calculation of the annual growth rate of GDP at constant prices is intended to allow comparisons of the dynamics of economic development both over time and between economies of different sizes, irrespective of price levels.	Eurostat
Public debt	General government consolidated gross debt as a percentage of GDP.	Eurostat - General Government data

¹⁵³ Pension income covers pensions from basic (first pillar) schemes, means-tested welfare schemes; early retirement widow's (first pillar) and other old age-related schemes. Other social benefits includes: unemployment-related benefits; family-related benefits; benefits relating to sickness or invalidity; education-related allowances; any other personal social benefits. Work income includes income from wage and salary employment and income from self-employment.

Employment rate	Persons in employment in age group 15 to 64 as a proportion of total population in the same age group.	Eurostat-LFS
Unemployment rate	Unemployed population as a proportion of total active population aged 15 years or more.	Eurostat-LFS
Social protection expenditure (by types of risk)	The annual percentage of gross domestic product spent on social protection. Social protection encompasses "all interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs, provided that there is neither a simultaneous reciprocal nor an individual arrangement involved".	Eurostat - Esspros
Old age dependency ratio	Ratio between the total number of people aged 65 and over and the number of persons of working age (aged 15 to 64).	Eurostat

Definition of the in-work at-risk-of-poverty rate

Individuals who are classified as employed, defined here as being in work for over half of the year and who are at risk of poverty, i.e. live with an equivalised disposable income after social transfers below 60% of the national median equivalised disposable income.

In defining in-work (monetary) poverty, the income for people who are employed is calculated for households, but the poverty status is assigned to the individual. This means that in-work poverty, when measured, is influenced by both the total disposable income (including non-wage income) and the household composition. The assumption of equal sharing of resources within households (giving the so-called equivalised income) that underlies the definition of monetary income poverty means that the economic well-being of individuals depends on the total resources contributed by all members of the households. In this respect some income can move from one household member to the other without affecting the actual income of the individual. Hence, measuring attachment to the labour market at the level of households provides a better indicator of the welfare implications associated with labour market status than individual employment rates.

Income/disposable income

Household income comes from different sources. Employment is generally the main source of income but it is not the only one. Individuals may receive transfers from the state (e.g. unemployment benefits, pensions, etc.); property income (e.g. dividends from financial assets, etc.); and income from other sources (e.g. rental income from property or from the sale of property or goods, etc.).

Employed

In EU SILC, people are defined as employed based on the self-declared economic status.

Working full year/less than full year

Working full year corresponds to working during the total number of months for which information on the activity status has been provided. Less than full year corresponds to working for more than half, but less than all, the numbers of the months for which information on activity status is provided.

Full-time/part-time working

This variable refers to the main job with the designation of full-time and part-time work as self-reported by the respondent.