

# Policy Snapshot

Policy-relevant findings from selected EU research projects

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**EU policy priority** Inclusive Growth

**Research focus** Social Inequalities

Featured projects

GINI, GUSTO, WORKABLE

Research results on:

- Drivers and impacts of inequality
- Coping with economic, legal and political uncertainty
- Strengthening capabilities of young people



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European Research Area



# Policy Context

## Social Inequalities and Inclusive Growth in Europe 2020

**"While GDP and wealth have continued to increase overall, inequality has risen in Europe – as in other developed countries – since the mid-1980s. There are now wide inequalities in the distribution of income in the EU."**

-- Taking stock of the Europe 2020 strategy  
European Commission, 2014<sup>1</sup>



Today, with the effects of the financial crisis still lingering, Europe faces a monumental challenge in its effort to tackle social inequalities. Persistent and growing gaps in income distribution provide a potent reminder of that challenge. Achieving inclusive growth means reducing social inequality in multiple forms, including income distribution (a vital proxy indicator). This Policy Snapshot identifies key targets and initiatives for reducing social inequalities at EU level and highlights relevant findings from three thematically related EU-funded research projects.

The European Union has good reason (aside from principle) for wanting to reduce social inequality. The case for inclusiveness was succinctly stated in a review of thirteen EU-funded research projects four years ago, as Europe 2020 was being launched:

**"Research very convincingly shows that egalitarian societies are associated with higher lev-**

**els of economic growth and political inclusion. By contrast unequal societies experience higher rates of crime, ill-health drug abuse, and persistent poverty. Cohesion and growth objectives are therefore complementary as well as critical to socio-economic well being.<sup>2</sup>**

Recognising these socio-economic correlations, the Europe 2020 strategy makes inclusiveness a top priority. To advance the cause of overcoming social inequalities, the growth strategy elaborates two flagship initiatives: the **Agenda for new Skills and Jobs** and the **European Platform Against Poverty**. Moreover, it sets out clearly defined targets in three essential policy areas: employment, education, and poverty & social exclusion. Specifically, the strategy aims for:

### Europe 2020 Inclusive Growth Targets

#### **75% employment rate for women and men aged 20-64**

- getting more people into work, especially women, the young, older and low-skilled people and legal migrants

#### **Better educational attainment**

- reducing school drop-out rates below 10%
- getting at least 40% of 30-34-year-olds completing third level education (or equivalent)

#### **At least 20 million fewer people in or at risk of poverty and social exclusion**

Assessing progress toward Europe 2020's goals, the European Commission in March 2014 observed that "The crisis is expected to have led to a further rise in inequality and to have constrained redistributive systems even more."<sup>3</sup> The assessment report notes that while the EU is currently on course to meet (or come close to) its objectives for education, it is not nearing its targets on employment or poverty reduction.

<sup>1</sup> COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS; Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth; Brussels, 19.3.2014 COM(2014) 130 final/2 ([http://ec.europa.eu/europe2020/pdf/europe2020stocktaking\\_en.pdf](http://ec.europa.eu/europe2020/pdf/europe2020stocktaking_en.pdf))

<sup>2</sup> Why socio-economic inequalities increase? Facts and policy responses in Europe, Directorate-General for Research, Socio-economic Sciences and Humanities, European Commission, 2010.

<sup>3</sup> COM(2014) 130 final/2

# Research Findings

## From selected SSH projects

### ► GINI - Growing inequalities impact

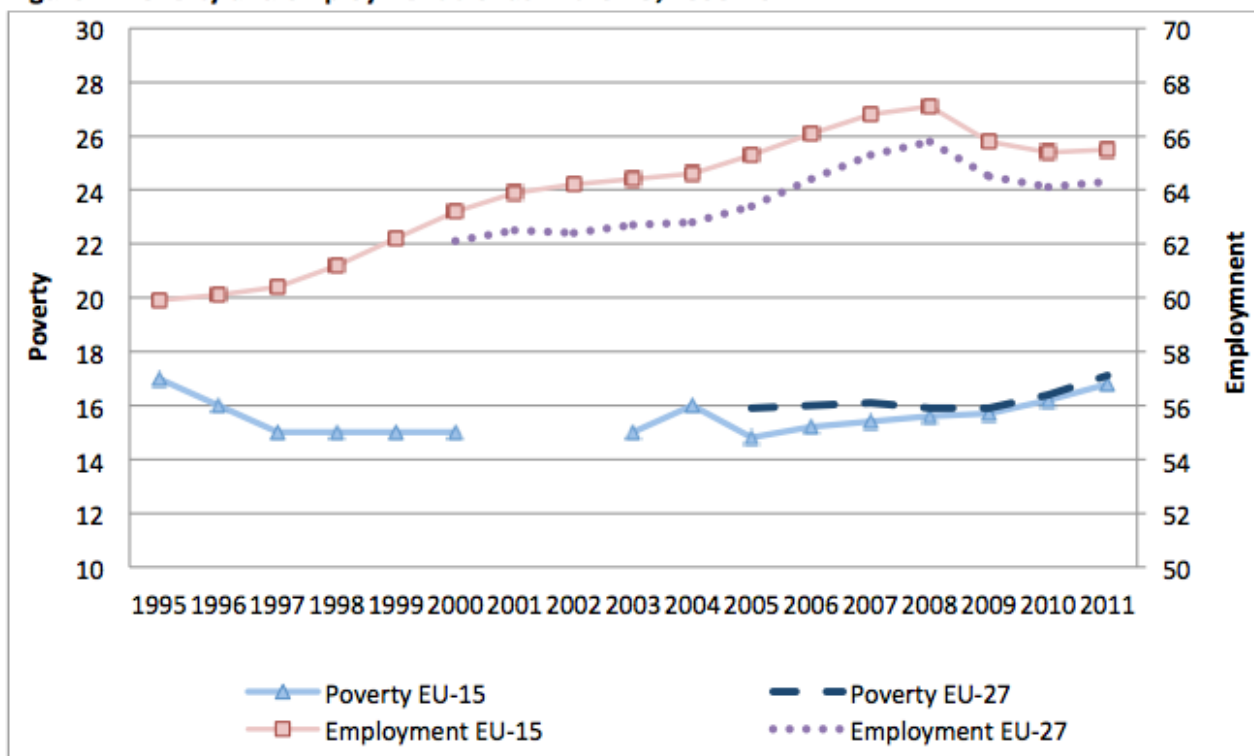
Reflecting growing awareness that inequality is increasing in many countries, the GINI project explored some of the drivers and impacts of this troubling phenomenon. On the driver side of the equation, economic and educational factors were examined. On the impact side, the focus was on social, cultural and political aspects. Effort was made to incorporate novel approaches to measuring income, wealth and education inequality.

Comparing data from 25 EU Member States along with the US, Japan, Australia and Canada, GINI's 200 researchers weighed the costs and benefits of policies designed to limit income inequality. They also considered the efficiency of such policies for mitigating other

inequalities such as health, housing and education and opportunity.

GINI's findings challenge the popular notion that an increase in employment will necessarily lead to reductions in income inequality and relative poverty. Highlighting European employment and poverty data from 1995 to 2008 (Figure 1), the researchers note that employment rates rose markedly during that period (seven percentage points on average in the EU15). Yet during that time there was no corresponding drop in income inequality or relative income poverty. "At the very minimum", the consortium concluded, "it can be said that very significant net employment gains did not yield lower household inequality levels and that in more than one instance employment growth went in fact accompanied with rising inequality and relative income poverty, for example in the case of Germany." Major cross-country variation notwithstanding, the data serve to remind us that there is no one-on-one correlation between employment growth and poverty reduction.

**Figure 1: Poverty and employment trends in the EU, 1995-2011**



Source: Eurostat, GINI project (GINI Policy Paper 5, September 2013)

Note: The poverty threshold is 60 per cent of the equivalized median household disposable income. The poverty rates are for the population less than 65 years, based on EU-SILC. The employment rates are for the population aged 15-64, based on EU-LFS.

## GINI's top-line policy conclusion:

**“The best performing countries in terms of economic, employment, social cohesion and equality outcomes have in common a large welfare state that invests in people, stimulating and supporting them to be active and also adequately protecting them and their children when needed.<sup>4</sup>”**

In broader terms, the consortium confirmed that inequality has generally been increasing in the 30 countries examined but that there are significant differences between countries with respect to inequality trends and impacts. A selection of GINI's main policy-relevant findings<sup>5</sup> is provided below.

### Policy-relevant findings GINI project

- Household joblessness is a key driver of poverty and deprivation. Policies (including active labour market policies) need to ensure that the poor benefit from new job opportunities.
- Labour market policies may be insufficient to help those with the weakest profiles in terms of skills, experience and aptitudes. Hence, where social safety nets have been significantly eroded, they need to be renewed.
- As well as dealing with symptoms, policy needs to tackle the root causes of exclusion, low earnings and limited upward mobility in more comprehensive and radical ways.
- Resourcing policies that impact on inequality and poverty in a structural way over time should not be at the expense of policies of proven effectiveness in direct poverty alleviation and inequality reduction, especially in times of high unemployment.
- In-kind provision of services (ranging from early childcare and education to housing, healthcare and personal social services) matter greatly if societies are to be more egalitarian.
- In relation to education, policies such as expansion of compulsory education and financial support to attend third-level institutions have a clear inequality reduction impact, mostly through the raising the lower end of the distribution of intended attainments.
- Other policies (e.g. expanding the autonomy of educational institutions) have more uncertain effects on inequality, since they foster differentiation among schools and universities, boosting the attainment of better endowed students at the risk of leaving behind students from weaker backgrounds.
- Postponing the age of tracking contributes to a reduction in the dispersion of competences. It also contributes to a reduction in the inequality in educational achievement by social origin.
- Centralised exams make the distribution of competences more egalitarian.
- Increasing the degree of standardisation of inputs is comparatively less effective in reducing educational inequality.
- Social stratification in voter turnout needs to be addressed to prevent the potential undermining of legitimacy of democracy in the long run.

<sup>4</sup> Summary of Results, GINI Project, September 2013. <[http://www.gini-research.org/system/uploads/543/original/GINI\\_1-2\\_ResultsOutput\\_201309.pdf?1380620989](http://www.gini-research.org/system/uploads/543/original/GINI_1-2_ResultsOutput_201309.pdf?1380620989)>

<sup>5</sup> Ibid

## ▶ **WORKABLE - Making capabilities work**

Education, vocational training and active citizenship are essential elements in the policy mix for tackling inequalities. These three elements were at the heart of WORKABLE, a project that explored innovative policies to help young people succeed in European labour markets.

Advocating a Capability Approach to the policy challenge, the WORKABLE consortium stressed the need to revamp education and training in ways that will enable labour market participants to continuously update skills. Essential skills, the researchers argued, include not only technical and functional abilities but also societal skills such as communication and cooperation that support a problem-solving (i.e. capability) approach toward valuable work.

**“Above all,” the researchers explain, “the Capability Approach focuses on the restrictive effects of basic economic and educational inequalities and the negative effects of passing down these inequalities between generations<sup>6</sup>”.**

Such negative effects are exemplified by young people who fail in standard paths of education and do not succeed in making a transition to employment. With this target group in mind, the researchers produced a map of vocational and labour-market policies in nine European countries: Austria, Denmark, France, Germany, Italy, Poland, Sweden, Switzerland and the United Kingdom. They found that, generally speaking, the systems in all these countries have four major tasks:

- compensate for failures of the educational system;
- improve employability of young people;
- improve the transition into vocational educational training (VET); and
- avoid “social exclusion”

The consortium argued that benefits could accrue from taking a Capabilities Approach to the above tasks.

### WORKABLE key findings\*

#### Education

Education systems are at risk of increasing inequalities. In some cases inequalities originate in education systems that select pupils at very early stages.

#### Socio-economic background

Most case studies showed that young people’s education and job options are mainly determined by the socio-economic background of their parents. Because of early negative selection, social exclusion is reproduced.

#### School-work transition

In general, mechanisms for school-work transition are unable to offer a guarantee of a vocational training placement. In this way the systems may contribute to, and reproduce, social inequality.

#### Intergenerational inequality

WORKABLE's analysis confirms a consistent pattern of inter-generational reproduction of educational and occupational inequalities. This means that even though today’s generation of young Europeans are better educated than ever before, the relative inequalities between different socio-economic strata are more or less intact.

### WORKABLE recommendations\*

- Promote a more encompassing view of skills (not a narrow view of human capital).
- Foster more soft skills.
- Develop bridges all along educational paths, avoiding early selection or fragmentation.
- Complement life-long learning concepts with strong involvement by concerned stakeholders.

\* Collated from WORKABLE Policy Briefs 3.4 and 5.3

<sup>6</sup> WORKABLE Policy Brief (3.4) December 2011 <[http://www.workable-eu.org/images/stories/publications/3\\_4\\_policy\\_brief\\_workable.pdf](http://www.workable-eu.org/images/stories/publications/3_4_policy_brief_workable.pdf)>



► **GUSTO - Meeting the challenges of economic uncertainty and sustainability through employment, industrial relations, social and environmental policies in European countries**

A cross-disciplinary project, GUSTO examined policy choices affecting the deep-seated sense of uncertainty experienced by millions of Europeans in recent years. Focusing on governance and the role of markets, the researchers looked specifically at individual labour market transitions, immigration, pensions, European social policy, collective bargaining and local territorial governance. Initially assuming their work would be limited mainly to policies surrounding economic uncertainty, the consortium felt compelled to expand its scope to include legal and political uncertainty.

At the end of their investigation in 2012, the researchers warned that “disastrous consequences” could result from what they identified as “the present tendency to see marketisation as requiring the destruction of all impediments to markets rather than a careful appraisal of the balance of gains and losses that follow from marketisation”<sup>7</sup>. The consortium’s main finding: that “measures to intensify the role of markets within Europe need to be accompanied by measures to offset the negative externalities that marketisation necessarily brings, where the gains from markets in Europe is outweighed by these externalities”<sup>8</sup>.

On the topic of EU law and social policy, the GUSTO team members pointed out that European law supporting extension of markets is having a growing impact on social security and social services in Member States. However, the researchers found that national schemes are not replaced at the EU level by alternative provision, which generates imbalance and uncertainty<sup>9</sup>.

### GUSTO key findings

#### Labour Market Transition

Well designed social policies that workers trust can help them make successful and progressive labour-market transitions, which cannot be achieved by leaving them with either an absence of support mechanisms or policies that keep changing.

#### Immigrants in Labour Markets

Immigrants act as shock absorbers in the labour market, taking most of the risks and thereby protecting the native population from exposure to uncertainty. Paradoxically however, it is at times of general uncertainty that native populations become most hostile to immigrants.

#### Pension Privatisation

The privatisation of pensions is bringing greater and ever more elaborate state regulation, because of the difficulty of pure market transactions in a market that that requires trust and very long-term planning by individuals.

#### Marketisation and Social Policy

The more the EU becomes a vehicle for marketisation and ignores the need to balance that with social policy (or limits the ability of nation states to pursue such policy) the more it jeopardises attempts to cope with negative externalities.

#### Collective Bargaining

The more that collective bargaining is pressed to conform to a market model and thereby loses its capacity to co-ordinate, the less (paradoxically) it acts in support of the market economy.

<sup>7</sup> GUSTO Policy Brief 7.2 The Governance of Uncertainty and Sustainability: Tensions and Opportunities/Confronting uncertainty in work and social policy in the crisis. <[http://www.gusto-project.eu/index.php?option=com\\_content&view=article&id=419:gusto-policy-brief-72-confronting-uncertainty-in-work-and-social-policy-in-the-crisis&catid=34:briefing-papers&Itemid=58](http://www.gusto-project.eu/index.php?option=com_content&view=article&id=419:gusto-policy-brief-72-confronting-uncertainty-in-work-and-social-policy-in-the-crisis&catid=34:briefing-papers&Itemid=58)> Retrieved May 27, 2014

<sup>8</sup> Ibid

<sup>9</sup> GUSTO Project WP5: EU Governance Final Report, Jean-Claude Barbier, January 2012.

# SSH research projects highlighted in this snapshot

The following research projects provided key content for this document. All projects were developed within the European Commission's Seventh Framework Programme for Research and Technological Development (FP7) under the theme Socio-economic Sciences and Humanities.

Project	Title	Start	End	Website
<b>GUSTO</b>	Meeting the challenges of economic uncertainty and sustainability through employment, industrial relations, social and environmental policies in European countries	Mar 2009	Feb 2012	<a href="http://www.gusto-project.eu">www.gusto-project.eu</a>
<b>GINI</b>	Growing inequalities impact	Feb 2010	Jan 2013	<a href="http://www.gini-research.org">www.gini-research.org</a>
<b>WORKABLE</b>	Making capabilities work	Nov 2009	Oct 2012	<a href="http://www.workable-eu.org">www.workable-eu.org</a>

## Related FP7 research projects

<b>CITISPYCE</b>	combating inequalities by new social practices of & for young people in cities across Europe	Jan 2013	Dec 2015	<a href="http://www.aston.ac.uk/lss/research/research-centres/interland/citispysce/">www.aston.ac.uk/lss/research/research-centres/interland/citispysce/</a>
<b>CUPESSE</b>	Family Values & Youth Unemployment in Europe: Cultural Pathways to Economic self-sufficiency & entrepreneurship	Feb 2014	Jan 2018	<a href="http://cupesse.eu">http://cupesse.eu</a>
<b>FLAWS</b>	The impact of local welfare systems on female labour force participation & social cohesion	Jan 2011	Apr 2014	<a href="http://www.flaws-eu.eu">www.flaws-eu.eu</a>
<b>LIVEWHAT</b>	Living with Hard Times: How European Citizens Deal with Economic Crises and Their Social and Political Consequences	Dec 2013	Jan 2016	<a href="http://www.livewhat.unige.ch">www.livewhat.unige.ch</a>
<b>MEDEA</b>	Models and their effects on development paths: An ethnographic and comparative approach to knowledge transmission and livelihood strategies	Jul 2009	Jun 2012	<a href="http://www.medeasteelproject.org">www.medeasteelproject.org</a>
<b>STYLE</b>	Strategic Transitions for Youth Labour in Europe	Mar 2014	Aug 2017	<a href="http://www.style-research.eu">http://www.style-research.eu</a>

# About FLASH-IT

FLASH-IT is a European Union dissemination project offering enhanced access to research findings in Socio-economic Sciences and Humanities (SSH).

Part of a broader effort to consolidate knowledge resources within the European Research Area, FLASH-IT aims to help bridge the communications gap between Europe's research and policymaking communities.

Using a custom-built IT interface, FLASH-IT provides consolidated results from EU-funded SSH research projects that are thematically linked to the Europe 2020 priorities of smart growth, sustainable growth, inclusive growth and economic governance.

FLASH-IT focuses on five distinctive yet mutually reinforcing priorities, corresponding to those of the Europe 2020 strategy for smart, sustainable and inclusive growth and to the societal challenges addressed by Europe's 'Horizon 2020' research programme.



FLASH-IT strives to accommodate the interests of a broad range of stakeholders – public bodies, researchers, corporations and civil society organizations – and is particularly geared toward serving the needs of evidence-based policymaking initiatives.

For more about FLASH-IT, please visit our website:

[www.flash-it.eu](http://www.flash-it.eu)

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