

How are you doing, Europe?

Mapping social imbalances in the EU





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Introduction

At the end of May, Europeans will elect a new European Parliament and soon after a new European Commission will begin its five-year mandate. The political changing of the guard in the European Union (EU) comes at a time of economic recovery: per capita income has been growing by about two percent annually for the last three years, and growth has recently returned to every EU member state. Unemployment has been falling across the EU in the last year and now stands at an average of 6.7 percent – marking a new all-time low. It seems that Europe is doing well: the economic tide is rising and, for the first time since the outbreak of the global financial crisis in 2008, all boats are lifting.

Getting to grips with social conditions across the EU

Yet, when we start digging deeper to understand how Europeans are experiencing the social and economic progress that the headline figures suggest, the picture blurs. There are great differences in social conditions across EU countries and regions, and the global economic and financial crisis, which led to a double-dip recession in the EU between 2008 and 2013, has in many areas added to the disparities within and between European societies. These ruptures in the social fabric across Europe become particularly apparent if one looks beyond aggregate economic and labour market figures and takes into account other factors that determine the quality of living and working in Europe: the availability and quality of work, gender equality, access to services such as healthcare, or the chance to live and work anywhere in the EU.

Concern about social imbalances is also reflected in Europeans' views: When asked by a 2017 Eurobarometer survey about the most important challenges for the EU at large, social issues such as unemployment and inequality rank highest among European citizens – before migration, security, public debt, and low growth.¹ These concerns are not confined to poorer member states: According to the survey, 50 percent of Germans and 46 percent of Swedes considered social inequalities as among the most pressing challenges in Europe. Moreover, only one in two Europeans agrees with the statement that everyone in their country has a chance to succeed in life. And 84 percent of Europeans think that income differences in their country are too great.² Hence, despite visible economic progress, a large majority of Europeans worries about social cohesion in their own country and in Europe.

This observation is the starting point of our report. We set out to get a better understanding of social conditions across the EU. The report has three aims: First, we provide new – and perhaps surprising – perspectives on well-known social challenges in Europe. Second, we zoom in on concrete examples of living and working conditions to illustrate how they directly impact upon Europeans' daily lives. Third, drawing on many case studies collected across different countries and regions, we provide a nuanced portrait of the – often very disparate – social conditions across the EU today.

1 Eurobarometer, 2017, Future of Europe – Social Issues, Special Eurobarometer 467.

2 Eurobarometer, 2018, Fairness, inequality and intergenerational mobility, Special Eurobarometer 471.

Focus on six pressing social challenges

There is a range of ways of investigating social conditions in Europe. The starting point of our own research is an assessment of current sets of indicators tracking different aspects of Europe's social fabric. This report, however, is not designed to give a comprehensive overview. Monitoring reports and quantitative research papers by institutions such as the European Commission, Eurofound, Eurostat or the OECD are excellent places to look for such systematic accounts. To give one prominent example, the Social Scoreboard as part of the recently proclaimed European Pillar of Social Rights covers twelve areas clustered in three dimensions, including gender equality, poverty, youth, employment, early childhood care, and healthcare.³

Our report follows a different approach. We selected six social challenges (or “dossiers”) based on whether they are relevant for a large number of Europeans across different member states and regions and whether they have a direct impact that people may experience in their daily lives. We draw both on the afore-mentioned sets of indicators and monitoring reports, as well as on a broad range of case studies that allow us to better understand the context in which different socio-economic groups across Europe are affected.

Each of the six dossiers provides a nuanced portrait of a European social challenge:

- **Employment and joblessness:** Despite the current labour market recovery, unemployment during the recent economic crisis might have inflicted lasting damage on the lives and careers of those affected. We shed light on the many different forms of joblessness, including the often overlooked and disparate group of the economically inactive. We also highlight the detrimental effects of long-term unemployment on mental health.
- **Precarious work:** Decent working conditions and a job that provides economic security is pivotal to individual well-being. Many Europeans work, however, under precarious conditions. We explore what this means using examples such as the rise in temporary contracts for young employees or scant social protection and career opportunities for certain groups of self-employed.

- **Obstacles to free movement:** Even though free movement is a cornerstone of European integration, mobile EU citizens still face various obstacles when deciding to live and work in another EU member state. We focus on the challenges they encounter when integrating into the job market, in particular with regard to the recognition of their qualifications and to over-qualification.
- **Gender inequalities:** To understand how gender imbalances accumulate over time, we adopt a lifetime perspective and follow European women through different stages of their (working) lives: from education and career opportunities, reconciliation of working and care obligations right until their retirement. We illustrate persistent inequalities that half of Europe's population is confronted with and how these, finally, also build up to a large pension gap.
- **Poverty:** Almost a quarter of Europe's population – or some 113 million Europeans – lives at risk of poverty or social exclusion. This has not only negative implications for their living standards but also for social integration, especially the life chances of children. We show what kind of challenges materially deprived Europeans have to deal with.
- **Access to healthcare:** Having access to healthcare is essential for people's quality of life. We focus on three aspects that can pose significant barriers to healthcare access: we start with a look at how different income levels can affect one's ability to afford healthcare, for example through high out-of-pocket payments. We continue with coverage for healthcare and zoom in on the situation in Greece during the economic crisis. We conclude with regional imbalances in healthcare provision.

Putting social imbalances at the heart of the European debate

The report is entitled “How are you doing Europe?”. We did not set out to find a definite answer to this question but rather wanted to focus on the well-being of individual Europeans and their communities. Whether Europeans are doing well in their daily lives depends very much on which country or region they live in, which socio-economic group

³ European Commission, Social Scoreboard.

they belong to, and on the precise aspect of living and working conditions under examination. By shedding light on these aspects, we hope to contribute to the debate on how Europe is doing – and what is needed to make Europeans better off. The upcoming election of the European Parliament provides an excellent opportunity to put the question of what to do about social imbalances at the heart of a genuinely European debate.

Employment: An uneven European recovery

Did you know that ...

- ... between 2013 and 2017, 12.1 million additional jobs were created in the EU? At the same time the number of unemployed people declined by just 7.4 million. This is because many inactive people also got into work.
- ... by mid-2018, unemployment in the EU had declined to 6.9 percent, close to pre-crisis levels? Yet if one adds discouraged job seekers and underemployed workers, the rate increases to 14.3 percent.
- ... while not counting towards official (un)employment figures, many inactive people are unhappy with their situation? Four out of five inactive people in the EU would like to work at least a few hours a week.
- ... in 2017, the number of long-term unemployed was still 36 percent above 2008 levels? In eight EU countries it was still more than twice as high. Germany is the only Eurozone country where long-term unemployment has fallen below 2008 levels.

Recent developments on the European labour market have been overwhelmingly positive: The employment rate has reached an historic high and, at 73.2 percent by the second quarter of 2018, is finally closing in on the long-term EU 2020 employment target of 75 percent of the labour force (20 to 64 year-olds). EU-wide unemployment declined to 6.9 percent, only slightly above the pre-crisis level of 2008. And youth unemployment has fallen four percentage points in just two years – now down to 15 percent across the EU.⁴

Looking behind the headline figures, it is important to note that the crisis has left the labour market with large disparities both between countries and between socio-economic groups. Moreover, the remaining 17 million unemployed Europeans are not only a heterogeneous group, but they are also not the only people out of work. In this dossier, we will focus in particular on the inactive people who would like to work and on the long-term unemployed across Europe.

A jobs-rich recovery for all?

Three questions are particularly important in order to assess the quality of the labour market recovery in the EU since the crisis: Has recovery reached people in all member states? Which groups have benefitted from it and which did not? And how much slack is there still in the European labour market?

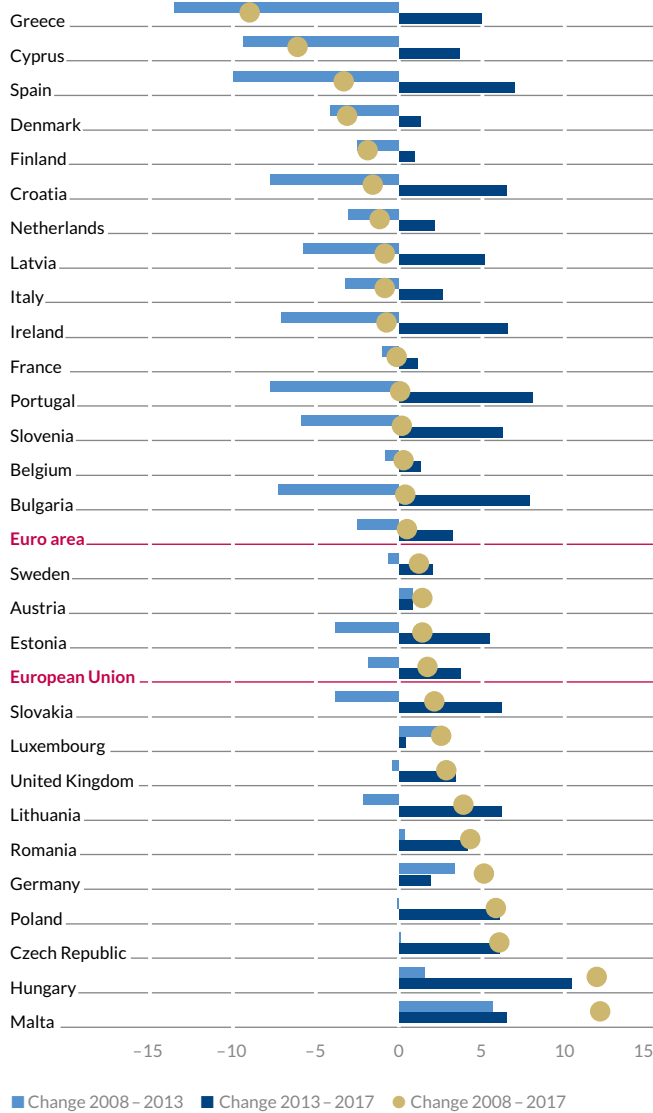
Since 2013 employment has increased in all member states. Most notably, employment levels have increased in Central and Eastern European (CEE) member states⁵ and in those crisis-stricken countries that have experienced a strong recovery such as Portugal or Spain that were emerging from a deep trough. However, the rise in average employment beyond pre-crisis levels is mostly driven by job-creation in just two countries: Germany and the United Kingdom (UK) together have added about eight million jobs

⁴ European Commission, 2018, Employment and Social Development in Europe - Quarterly Review – December 2018, Publications Office of the European Union, Luxembourg.

⁵ In this paper, Central and Eastern Europe (CEE) refers to Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

Labour market recovery: Ten member states still below pre-crisis employment levels

Change in employment rate of working-age population, in percentage points



Note: Working-age population refers to the age group 20 to 64 years. EU average refers to EU-27 before the accession of Croatia.
Source: Eurostat, EU-LFS.

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since 2008. By contrast, in ten EU countries employment levels are still below 2008 figures (see graph).

The labour market rebound after the crisis has largely benefitted from increasing activity on the part of two groups with traditionally below-average employment: women and people aged 55 to 64. The employment rate of women rose from 62.8 to 66.5 percent between 2008 and 2017. The increase was even bigger for older people, climbing from 45.5 to 57.1 percent. Other “outsider” groups such as young adults aged 20 to 29, non-EU migrants and people with lower education levels have not experienced a comparable recovery: their EU-wide employment levels have decreased compared to pre-crisis periods.⁶ Men – who traditionally have above-average levels of employment – have not added to the increase, and it was only in 2017 that their levels of employment returned to those of 2008.

The average weekly working time of Europeans decreased by about one hour between 2008 and 2013 and has not increased since. While many factors such as a shift towards part-time and service sector employment are at play here, this development also points to the significant slack that still exists in the labour market. In fact, when including other measures of slack such as the proportion of people who would like to work more hours (underemployed) and discouraged workers who are available but not actively seeking work (inactive), the combined rate of unemployed, underemployed and discouraged workers doubles to 14.3 percent of the European labour force.⁷

Many ways of being out of work

When thinking about joblessness, we usually have a binary view: either somebody is employed or they are unemployed. Yet this does not cover the wide spectrum of different kinds of joblessness that can have a great variety of short- and long-term impact on those affected. Two groups of jobless people deserve particular attention: the long-term unemployed who have been out of work for more than a year and

6 Eurostat, 2018, Smarter, greener, more inclusive? Indicators to support the Europe 2020 strategy. 2018 edition, Publications Office of the European Union, Luxembourg.

7 European Commission, 2018, Employment and Social Development in Europe – Quarterly Review – December 2018, Publications Office of the European Union, Luxembourg.

inactive people who are not actively looking but ready and willing to work. Long-term unemployment is particularly detrimental for the individual both in terms of well-being and life chances, and the unwillingly inactive are easily overlooked when trying to get jobless people back into work.

Before the crisis, inactivity was, by and large, falling across the EU. During the crisis, however, the number of inactive people who were willing to work increased considerably, as more and more were discouraged by the scarcity of jobs to actively search for employment (see figure). Even now, the group of inactive who would like to work remains substantial in several member states, for example in Italy, where they account for about a third of the economically inactive (see figure on page 12).

Inactive people are a very diverse group with vastly different living conditions and varying reasons for being inactive. They include homemakers, early retirees, people with disabilities, or discouraged workers. Because they are usually not registered with their local employment services, it is much harder to reach them with employment policies such as advisory services or training. Despite the fact that they are not actively looking for a job, four out of five inactive Europeans would in fact like to work at least several hours a week. And about two in five would even like to work 32 hours or more. The willingness to work is particularly strong among homemakers and students.⁸ We illustrate some of the employment barriers that these groups face below.

Zooming in: Different faces of joblessness in Italy

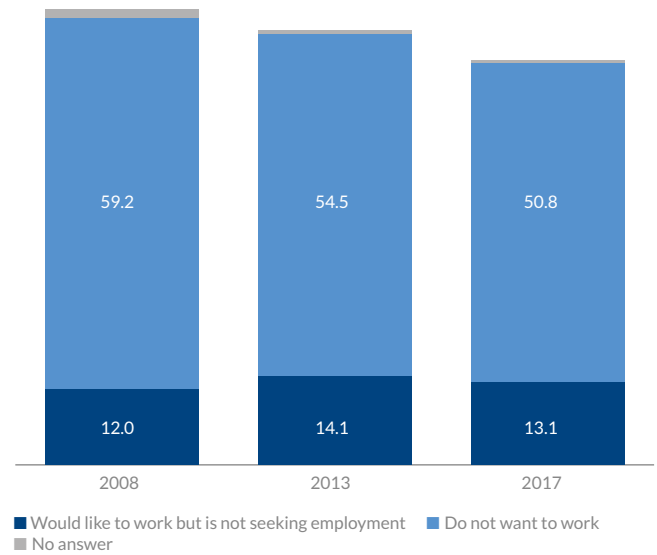
In the OECD project “Faces of Joblessness,” the authors used a segmentation method to identify distinct groups with similar profiles of employment barriers across EU countries.⁹ In Italy, the group of jobless and underemployed people makes up 40 percent of the working age population. In the following, we present six out of 13 identified subgroups that differ with respect to age, gender, education and skills as well as previous experience and alternative

⁸ Eurofound, 2017, Reactivate: Employment opportunities for economically inactive people, Publications Office of the European Union, Luxembourg.

⁹ Rodrigo Fernandez, et al., 2016, Faces of Joblessness: Characterising Employment Barriers to Inform Policy, OECD Social, Employment and Migration Working Papers, No. 192, OECD Publishing, Paris.

Economic inactivity: Overall declining – but share of those willing to work has increased

Inactive population by willingness to work, in million of EU working-age population



Source: Eurostat, EU-LFS.

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sources of income.¹⁰ These differences result in specific combinations of employment barriers.

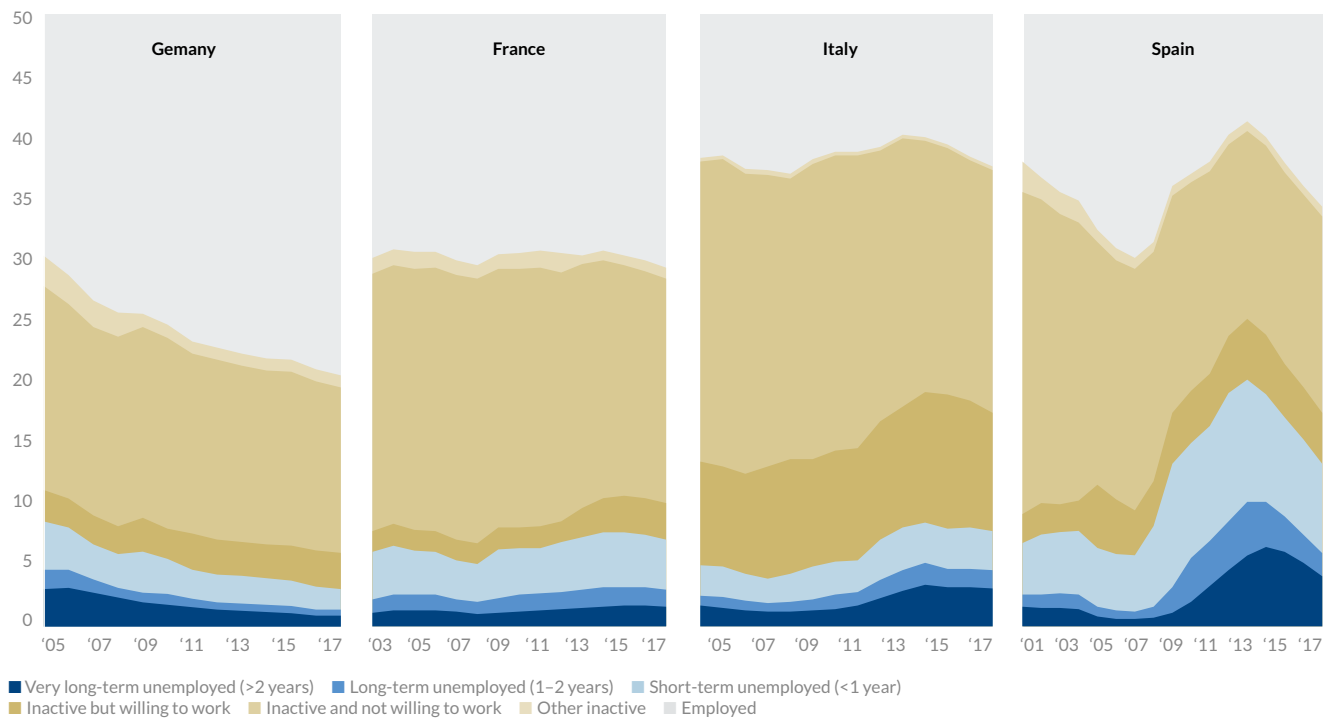
The two largest subgroups in Italy are inactive women in their fifties whose barriers to employment lie in their lack of sufficient work experience. The first subgroup is comparatively better off: these women have a relatively low level of education but at least some work experience. They can also draw on other income from fellow household members. By contrast, the second group has no work experience, has very low educational and skill levels and lives in much poorer households.

Another subgroup (the fifth largest) is comprised of long-term unemployed males in their late forties whose main barriers to work are a lack of job opportunities but also low educational attainment and low professional skills. This group is at the highest risk of poverty among all groups. A second male subgroup of jobless Italians is in their late fifties and has a significantly higher

¹⁰ James Browne and Daniele Pacifico, 2016, Faces of Joblessness in Italy: Anatomy of Employment Barriers, OECD.

Joblessness: Composition and change in Germany, France, Italy and Spain

Share of working-age population by labour market status, in percent



Note: Working-age population refers to the age group 20 to 64 years.
Source: Eurostat, EU-SILC survey.

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income (third quintile). Most people in this group are inactive and receive relatively high earnings replacement benefits, with over 60 percent receiving old-age benefits. What keeps them from working is a low level of educational attainment as well as relatively high benefits compared to what they could earn.

Two other sub-groups include discouraged young people who have looked for work for an extended period of time without success and have finally turned inactive. The larger sub-group is on average 32 years old. For them, sporadic and irregular work experience is the main barrier to employment, followed by a lack of job offers and, in some cases, poor education. The second group of young jobless Italians is on average 27 years old. Their main problem is also a lack of experience and opportunities. They are better educated than the previous group but have no paid work experience so far.

Time matters: Consequences of long-term unemployment

Long-term unemployment picked up sharply during the crisis in some EU member states: In Spain it rose from 13 to 50 percent of total unemployment between 2008 and 2015. In Italy, long-term unemployment climbed to 69 percent of all unemployed in 2013. EU countries hit hardest by the crisis faced a dual problem: high unemployment and increasing proportions of long-term unemployed. As a consequence, the lasting detrimental effects of long-term unemployment reach deep into the labour force to hit socio-eco-

conomic groups that are normally less affected, such as young job-seekers and medium- or high-skilled workers.¹¹

Along with a rise in youth unemployment, long-term unemployment among young people aged between 15 and 24 reached 8.1 percent in 2013. This peak in long-term unemployment rates was significantly higher than the 5.1 percent in the EU labour force as a whole. The damage of long-term unemployment on young Europeans lasts beyond the immediate crisis: Even if its effects on active labour market participation dissipates over time, those affected are more likely to be employed below their level of skills, and their lifelong earnings will be hit.

During the extended periods of unemployment, job seekers suffer from skills deprivation and a deterioration in psychological well-being. The experience of long spells of unemployment is particularly detrimental to young people's well-being. A study by Eurofound on the effects of the recent economic crisis has found that young long-term unemployed Europeans were considerably less satisfied with their life, less optimistic about the future and perceived themselves more likely to be socially excluded than the short-term unemployed, employed or students.¹² Most striking were the negative effects on psychological well-being as measured in the European Quality of Life Survey: While students, employed and short-term unemployed people reached scores of 69 or 70 out of 100 on the Mental Well-being Index, long-term unemployed young people only scored 60.¹³

11 See for example Werner Eichorst, et al., 2015, A European Perspective on Long-term unemployment, IZA Discussion Paper No. 9321; Nicole Duell, et al., 2016, Long-term unemployment in the EU: Trends and Policies, Bertelsmann Stiftung.

12 Eurofound, 2017, Long-term unemployed youth: Characteristics and policy responses, Publications Office of the European Union, Luxembourg.

13 Ibid. The figures are taken from an updated version of the study in Eurofound, 2018, Living and working in Europe 2017, Publications Office of the European Union, Luxembourg.

Precarious work: More jobs in Europe of less quality?

Did you know that ...

- ... about one in ten workers in Europe lives below the poverty line? In-work poverty has increased continuously since 2005. Young people and workers in atypical jobs are most likely to be affected.
- ... for almost half of the 32 million self-employed Europeans, sickness would constitute a risk to their financial security?
- ... in 2017, about one in four part-time workers and every second employee with a temporary contract wanted to – but could not find – a full-time or permanent position?
- ... while only 14 percent of employees in the EU have a temporary contract, this number climbs to 44 percent among young people?
- ... in France, around 4.5 million very short fixed-term contracts are signed each quarter – many of them for no longer than a week, with the same person rehired again and again?

Overall employment in the EU has been rising since 2013. Yet many observers worry that many of these new jobs come with less job security, poorer working conditions and lower earnings and benefits. In short, the fear is that the current recovery is taking place at the expense of a rise in precarious employment.

Many people associate precarious employment with temporary contracts or part-time work. Taking a more comprehensive approach, precarious employment includes three dimensions: insecure employment like fixed-term contracts; lack of social protection or an unsupportive environment such as a lack of training opportunities; and vulnerable employees who live under economic strain with no financial buffers.¹⁴

To get an idea of what precarious employment means for European workers, we illustrate each of these three dimen-

sions with an example: We look at the use of fixed-term contracts among young employees, investigate the social security position of the self-employed and show that work is not always a protection against poverty.

Young Europeans stuck with temporary employment

Across the EU, about one in four part-time workers and every second employee with a temporary contract stated in 2017 that they would prefer – but could not find – a standard job. While non-standard employment does not automatically imply precarious employment, involuntary non-standard employment indicates that employees are looking for higher job protection and higher incomes by working more.

Young people are particularly affected by insecure employment, especially in form of temporary contracts. While only 14 percent of the working population in the EU held

¹⁴ Martin Olsthoorn, 2014, Measuring Precarious Employment: A Proposal for Two Indicators of Precarious Employment Based on Set-Theory and Tested with Dutch Labor Market-Data, Social Indicators Research, 119(1).

non-permanent contracts in 2017, among 15 to 24 year-old employees the level is as high as 44 percent – and the trend points upward.

During the economic crisis, many EU member states relaxed restrictions on the use of temporary contracts to provide employers with more flexibility as a means to combat unemployment: examples are Greece, the Netherlands, Poland or Spain.¹⁵ Yet when fixed-term contracts become the norm for young employees, it weakens their bargaining power and may push down their wages as illustrated in the example from France below.

What is more, research suggests that fixed-term contracts have lost some of their ability to serve as stepping-stones to permanent employment. Between 2008 and 2014 transition rates from temporary to permanent positions decreased in a majority of member states, while transitions from temporary positions into unemployment increased.¹⁶ Yet it should be noted that both the share of temporary employment and transition rates differ widely. In Spain and Poland, for example, the proportion of temporary contracts is above 20 percent, while in the UK only five percent of employees have temporary contracts. Correspondingly, transition rates to permanent positions are relatively low in Spain and Poland, while they are comparably high in the United Kingdom.¹⁷

Zooming in: Ultra-short contracts in France

The French labour market, known for its strong employment protection for standard jobs, has become increasingly polarized: while a (generally older) core workforce remains well protected, young people in particular are left with insecure short-term employment.¹⁸ In 2017, 58 percent of French employees aged between 15 and 24 held a temporary contract, a so-called *contrat de travail à durée déterminée* (CDD). This is more than three times the French

average (17 percent). The proportion of young people on CDDs picked up sharply in the 1990s and has increased gradually ever since. Particularly problematic is the rise in very short-term CDDs of less than one month since the early 2000s: The number of very short-term CDDs rose from about 1.6 million per quarter in 2003 to almost 4.5 million in 2017 (see figure on page 16).

According to a new study by Philippe Askenazy and Bruno Palier, contracts lasting less than a week have become particularly popular in recent years.¹⁹ Although there are restrictions on their consecutive use, employers can circumvent these by employing a person for four days a week, then applying a transition period (at least half of the duration time) and re-hiring the same person for four days the following week. Ultra-short CDDs allow employers to push down labour costs because workers receive no paid vacation, no performance pay and generate no dismissal costs. Furthermore, CDD workers usually fall below the minimal tenure for benefiting from mandatory profit sharing. This practice of re-hiring ultra-short-term workers was applied to 80 percent of “new” CDD recruits in 2015.

Be your own boss: For many Europeans a burden not a blessing

Around 32 million people in Europe are self-employed, accounting for around 15 percent of the EU working population. Many self-employed people are well off, in particular those who have employees and freelancers with high and stable incomes. Yet only 54 percent of self-employed people without employees say that becoming their own boss was a decision based on their own preferences, and 24 percent say they had no alternative.²⁰

In a recent study, Eurofound clustered the self-employed into five groups: Employers, stable own-account workers, small traders and farmers, vulnerable and concealed self-employed.²¹ While the first two groups, making up roughly half of all self-employed, can reap the benefits of being their own boss, the vulnerable (5.4 million, 17 percent of all self-employed) and the hidden self-employed (2.6 million, eight

15 Jill Rubery and Agnieszka Piasna, 2016, Labour market segmentation and EU reform agenda, European Trade Union Institute.

16 European Commission, 2016, Temporary employment in the EU: springboards or career dead ends?

17 Andrea Broughton, 2016, Precarious employment in Europe, Study prepared for the European Parliament; Eurofound, 2017, Employment transitions and occupational mobility in Europe: The impact of the Great Recession, Publications Office of the European Union, Luxembourg.

18 See for example Jean Tirole, 2017, Economics for the Common Good, Princeton University Press.

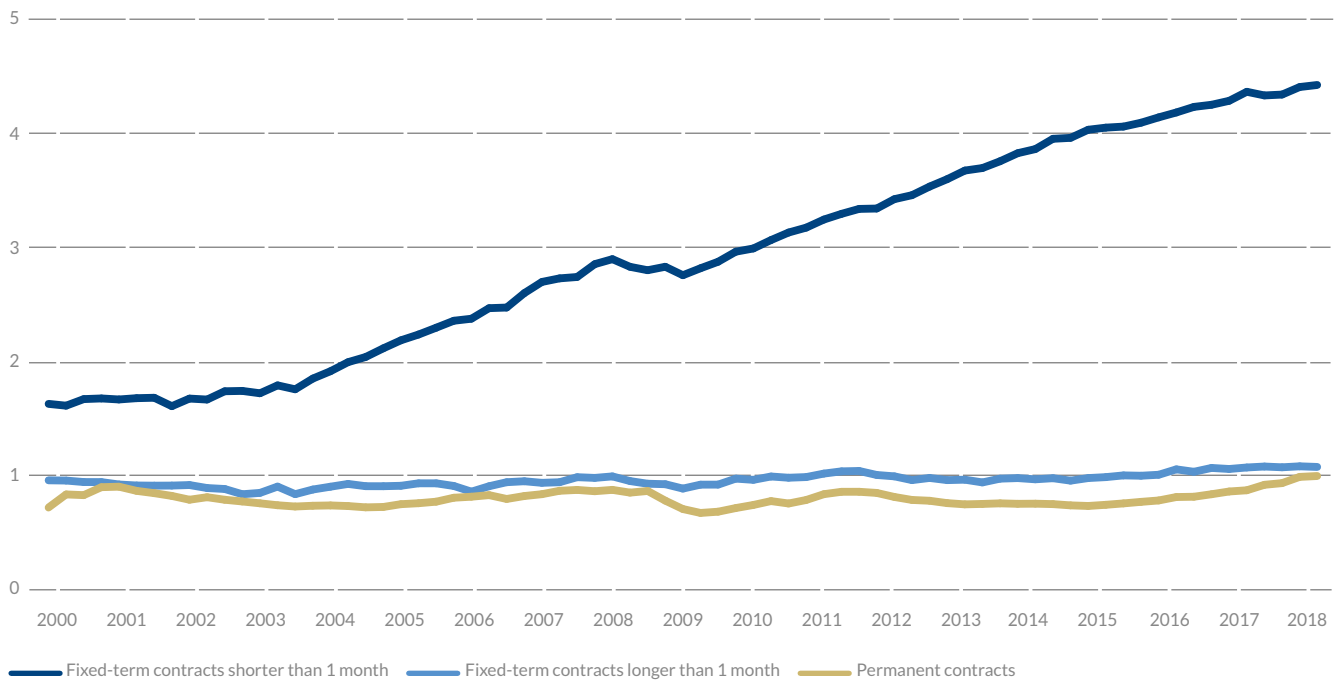
19 Philippe Askenazy and Bruno Palier, 2018, France: rising precariousness supported by the welfare state, CEPREMAP Docweb No. 1801.

20 Data from the European Working Conditions Survey 2015.

21 Eurofound, 2017, Exploring the self-employed in the European Union, Publications Office of the European Union, Luxembourg.

Fixed-term employment: Ultra-short contracts on the rise in France

Number of work contracts signed each quarter (excluding temporary agencies), in million



Source: Acoos Stat.

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percent) are less autonomous and often lack essential social security as well as opportunities for training or career progress. In addition, they often live with a high degree of financial uncertainty (see figure on page 17).

Vulnerable self-employed workers generally have low wages and poor social security: 55 percent of this group depend on one client and more than three quarters work alone. About 80 percent of vulnerable self-employed can be found in the bottom 40 percent of the income distribution, and more than half would face financial insecurity in case of sickness. The group of vulnerable self-employed is most prevalent in Central and Eastern Europe, especially in Romania, Croatia and the Baltic states. Among this group, five out of the ten most common occupations are in the agricultural sector, comprising about a quarter of all jobs. Other common occupations in this group are cleaners or care workers.

The working conditions of the hidden self-employed are very much like those of employees, with regular pay and

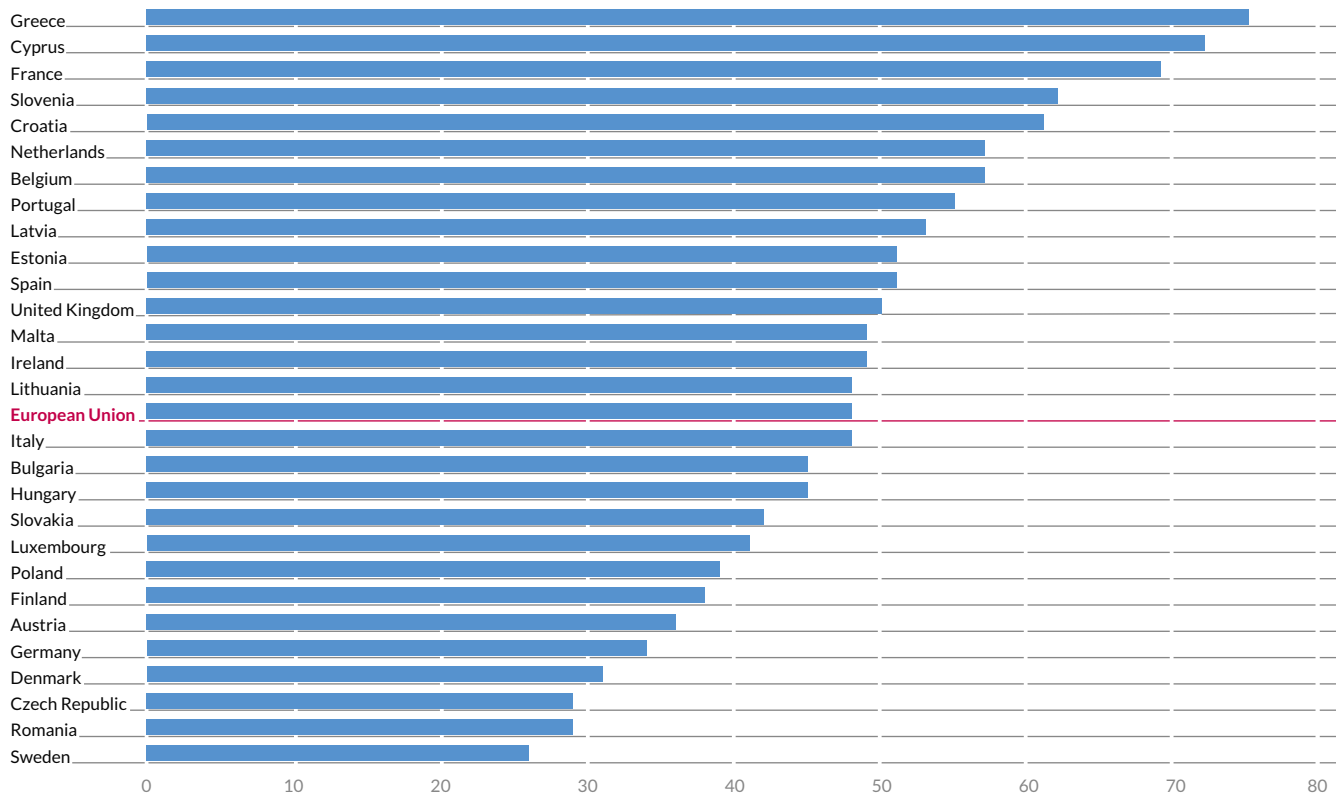
working hours and a low degree of autonomy at work. Yet similar to the vulnerable group of self-employed, their social security is weak and 60 percent of these self-employed would have financial difficulties in the case of sickness. Concealed self-employment is most prevalent in the UK and Slovakia, followed by Germany, Poland and the Baltic states. Typical jobs are in the construction and manufacturing sector as well as being a taxi driver.

Concealed self-employment is often in conflict with the law, as there is a legal distinction between employment and self-employment to protect *de facto* employees from losing employment protection, access to social security as well as health and safety protection. Especially in the construction sector fraudulent or “bogus” self-employment is widespread.²²

²² Yves Jorens, 2008, Self-employment and bogus self-employment in the European construction industry.

Social security: Every second self-employed European lacks reliable protection

Share of self-employed who indicate they would not be financially secure in the case of a long-term illness, in percent



Source: Eurofound, Sixth European Working Conditions Survey conducted in 2015.

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In-work poverty: A problem for non-standard jobs

Employment is often seen as the main escape-route from poverty. Nevertheless, a considerable share of the working population falls below the at-risk-of-poverty threshold that stands at 60 percent of national median income. This so-called in-work poverty increased consistently since the mid-2000s, from an EU average of 8.2 percent of the employed population in 2005 to 9.6 percent in 2017.

Crucially, this rise is not limited to a specific group of countries. In crisis countries like Italy, Spain or Greece in-work poverty climbed during a downturn with rising unemployment and falling wages. Germany, however, has experienced

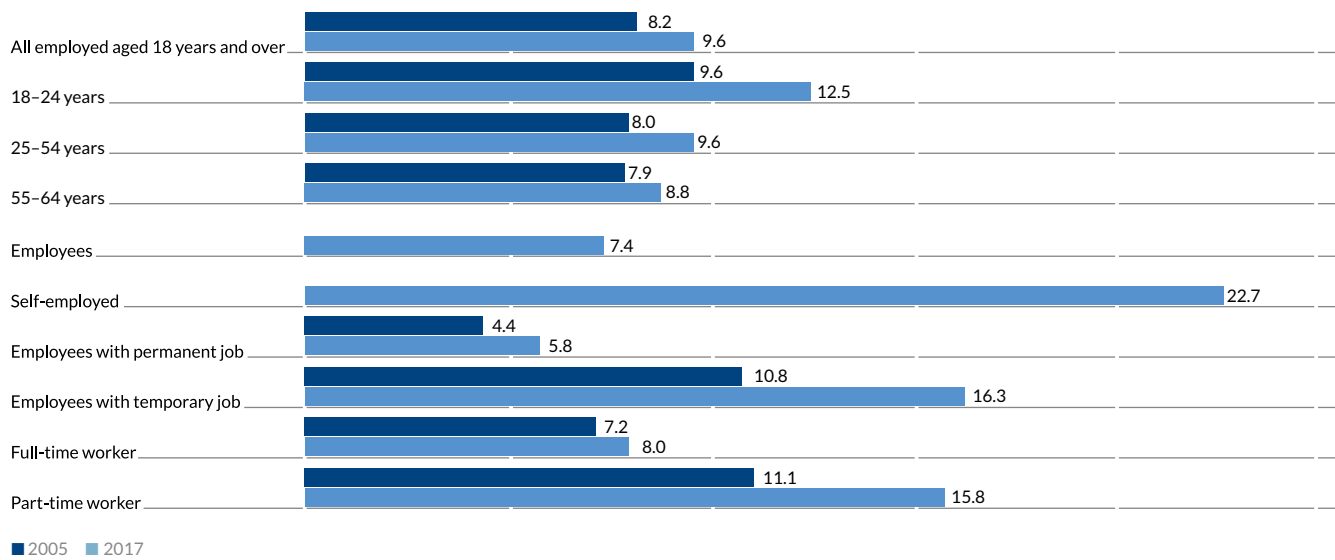
a strong boom, with falling unemployment and rising wages in the past decade, yet has seen one of the most significant increases in workers at risk of poverty.²³ Several CEE countries also saw the share of working poor increasing against the backdrop of a significant rise in average incomes.

Levels of in-work poverty also vary strongly between different types of employment. The lowest risk of in-work poverty is found among employees with a permanent job. By contrast, workers in atypical employment and young workers have an elevated risk of being among the working poor (see figure on page 18). In-work poverty has also increased most markedly in these groups compared to 2005.

²³ Dorothee Spannagel et al., 2017, Aktivierungspolitik und Erwerbsarmut, WSI Report Nr. 36, Juli 2017.

In-work poverty: Highest risk in atypical employment and for young workers

EU-wide risk of in-work poverty for selected age groups and forms of employment, in percent



■ 2005 ■ 2017

Note: Data for self-employed refers to "employed persons except employees" of whom 94 percent are self-employed. Others are so-called contributing family workers. No data available for employees and self-employed before 2009.
Source: EU-SILC survey.

Free to move? Remaining obstacles to mobile citizens in the EU

Did you know that ...

- ... in 2017, roughly four percent of Europeans of working age lived in another EU country?
- ... while one percent of Germany's working age population lived abroad, almost a fifth of the Romanian working age population did so?
- ... the employment rate of Europeans living in another EU country, at 76.1 percent, is on average four percentage points higher than for the EU population as a whole?
- ... a large share of mobile citizens living in the main destination countries, such as Germany or the UK, went abroad in order to take up a job or to look for work abroad?
- ... mobile citizens from member states that joined the EU since 2004 are more likely to feel overqualified than movers from other EU countries?
- ... the proportion of tertiary graduates among mobile EU citizens of working age has increased to 32.4 percent and is higher than the EU average?

Free movement of workers is one of the cornerstones of EU integration and an essential ingredient for a functioning internal market. Allowing European citizens to move and reside freely across the EU gives them the chance to strive for opportunities not only at home, but across the EU in places where their skills might be more in demand or command better pay. At roughly four percent of the EU working age population in 2017, mobile EU citizens living in another EU member state represent a small but steadily growing proportion.²⁴ Brexit and debates such as on the posting of workers across the EU have propelled the topic of mobility back under the spotlight. Yet approval of free movement remains consistently high across the EU: according to a Eurobarometer survey, 83 percent of Europeans supported free movement of people in the EU in 2018.²⁵

²⁴ Eurostat, 2018, EU citizens living in another Member State – statistical overview.

²⁵ European Commission, 2018, Public opinion in the European Union, Standard Eurobarometer 90.

We put the emphasis on intra-EU mobility as means of enhancing labour market participation and life opportunities: We first look at who moves across EU borders and for what reason. Subsequently, we identify obstacles EU mobile citizens encounter when intending to work abroad and focus on issues with regard to recognition of qualifications. Furthermore, we look at a problem that can occur while working abroad: over-qualification. We conclude by zooming in on the labour market integration of young mobile EU citizens in the UK.

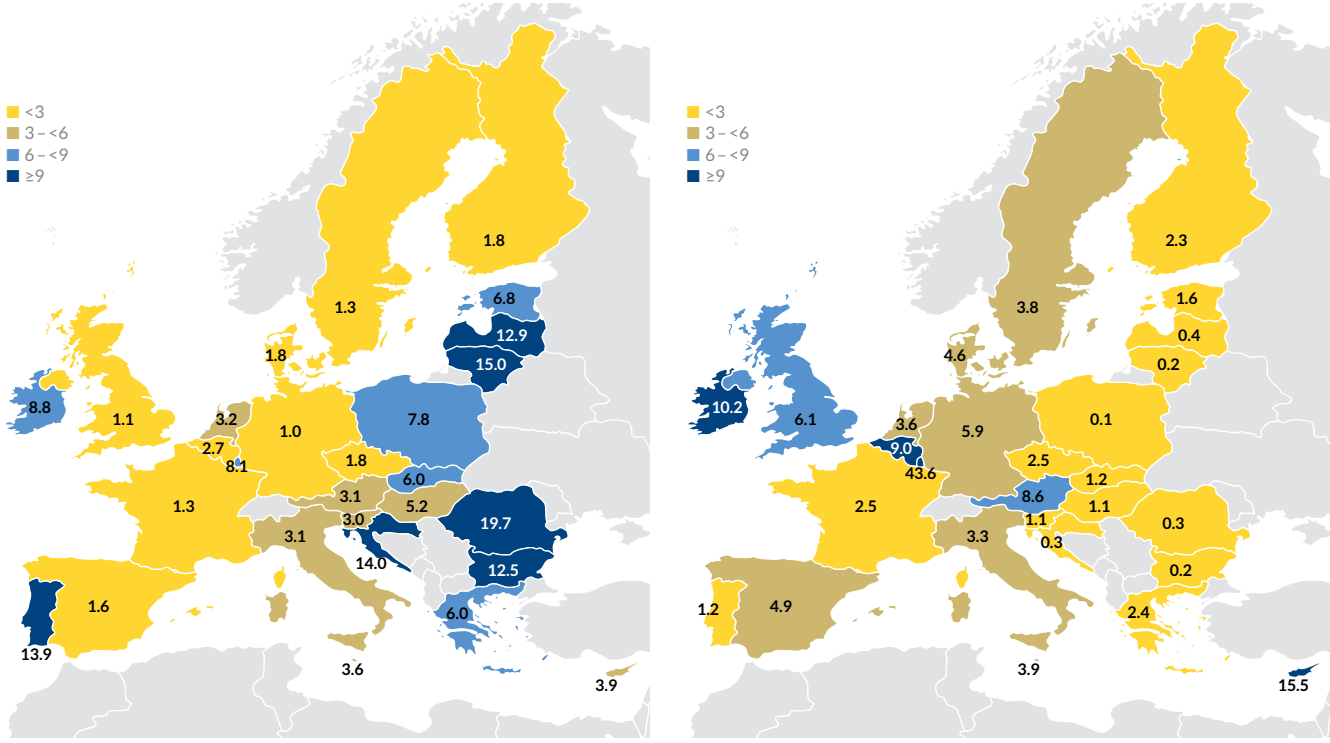
Who is on the move in the EU ...

The proportion of EU citizens living abroad differs significantly between member states. While only one percent of the German population of working age (20 to 64 years) lived in another EU country in 2016, this was the case for

Who moves: EU citizens living in another member state than their own

Where do they come from ... (2017, in percent)

... and where do they go? (2016, in percent)



Note: EU citizens of working age (20-64 years) as percent of the total population in countries of destination (right map); as percent of their home-country resident population (left map); country of citizenship: low reliability for Luxembourg. Source: Eurostat, 2018, EU citizens living in another Member State – statistical overview (left map); Elena Fries-Tersch et al., 2018, 2017 Annual Report on intra-EU Labour Mobility (right map).

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almost one in five Romanians.²⁶ The economic crisis led to the numbers of Greeks and Spaniards leaving their home country more than doubling between 2007 and 2011. Yet Europeans moving from Eastern to Western Europe still outnumber by far those moving from South to North.²⁷

A majority of EU movers – three quarters – is of working age, and they are typically working: On average, their employment rate is, at 76.1 percent, four percentage points higher than the EU average. A third of mobile EU citizens have tertiary education, while a quarter are low-skilled. Of those who moved to another member state during the last ten years, women had the highest share of higher educa-

tion, while low educational attainment was highest among men.²⁸

... and why are Europeans moving across borders?

The two most important destination countries for mobile citizens are Germany and the UK: almost half of all EU movers live here.²⁹ Eurostat data from 2014 shows that a

26 Eurostat, 2018, EU citizens living in another Member State – statistical overview.

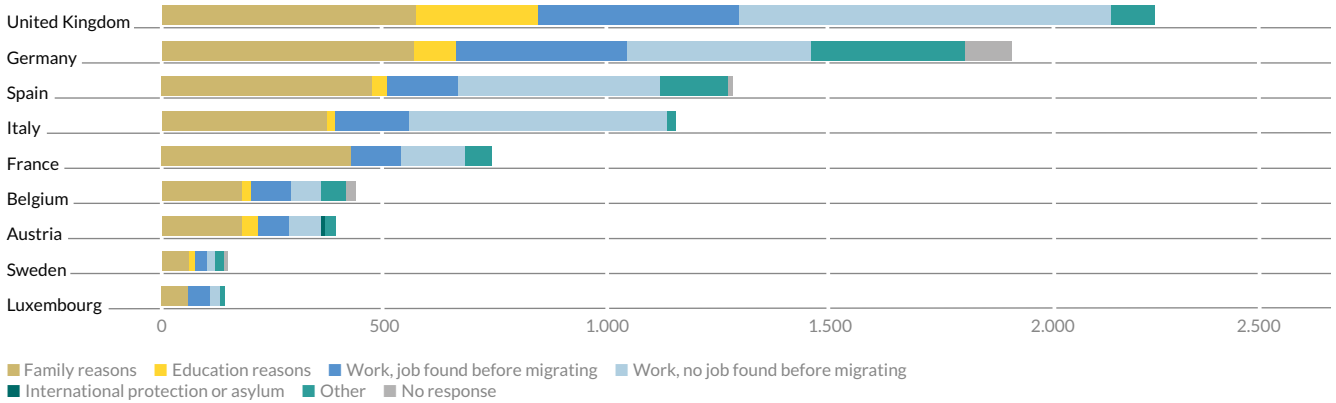
27 Eurofound, 2014, Labour mobility in the EU: Recent trends and policies, Publications Office of the European Union, Luxembourg.

28 Elena Fries-Tersch et al., 2018, 2017 Annual Report on intra-EU Labour Mobility, prepared for the European Commission, Publications Office of the European Union, Luxembourg; Eurostat, 2018, EU citizens living in another Member State – statistical overview.

29 Elena Fries-Tersch et al., 2018, 2017 Annual Report on intra-EU Labour Mobility, prepared for the European Commission, Publications Office of the European Union, Luxembourg.

Reasons to move: Why EU citizens already living in another EU country moved abroad

First generation of immigrants from EU member states by selected destination countries in 2014, in thousands



Note: Low reliability for "Other": France; for "International protection or asylum": Austria; for "No response": Sweden.
Source: Eurostat, EU-LFS.

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significant share of EU mobile citizens left their home country in order to look for or take up work that they found before moving (see figure above). Another important motive for moving abroad was family or personal reasons.

A 2013 Eurobarometer survey sheds further light on the economic rationale for moving (see figure on page 22). Half of the respondents stated that they would consider working in another member state for a better salary. Almost three out of ten named either their professional development and better career opportunities or the inability to find a job in their home country as a reason to work abroad. While getting a better salary would have been a particular strong motivation for mobile EU citizens from CEE countries who have on average lower wages than those in older EU member states, EU nationals from crisis-ridden countries, particularly in Southern Europe, cited not being able to get a job as a main reason why they would consider working abroad.

Recognition of qualifications is an essential factor to work abroad

Moving freely across borders is a fundamental right for EU citizens and is backed by substantial EU regulation prohibiting discrimination and intended barriers. Yet how easily can EU citizens take up work abroad and settle in?

Practical hurdles to finding suitable work in another EU country include differences between national job markets, lack of language skills, problems with accessing social benefits, the portability of old age pension rights or finding suitable housing.

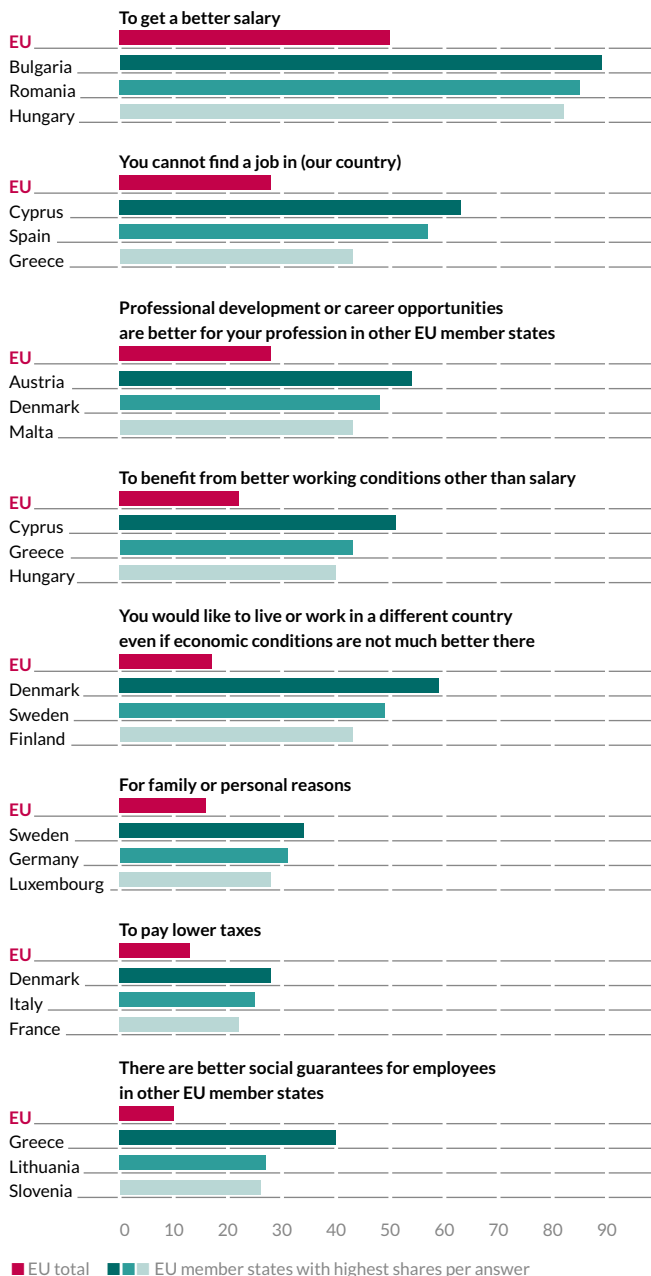
A decisive factor that helps mobile EU citizens to access a profession in another EU member state and to match their skills with a commensurate position and salary abroad is the successful recognition of their qualifications. In the EU, a large number of professions is regulated. This means that due to administrative, legislative or regulatory provisions, access to these professions requires certain professional qualifications or titles.³⁰ Seven professions (doctors, nurses, midwives, dentists, veterinary surgeons, architects and pharmacists) are covered by harmonised minimum training conditions agreed upon at EU level and fall under the regime of "automatic recognition". This however does not imply that recognition is indeed automatic: EU citizens intending to work in one of these professions in another EU country still need to apply to the competent authority in that member state in order to prove that their qualifications match the minimum training requirements.³¹

³⁰ EU directive 2005/36/EC on the recognition of professional qualifications.

³¹ European Commission, Recognition of professional qualifications in practice.

Motivations to move: Why would EU citizens go abroad?

The main reasons why EU citizens would consider working in another EU country in 2013, in percent



Note: Respondents who would consider working in another EU Member State; multiple answers possible.

Source: European Commission, 2013, Internal Market, Special Eurobarometer 398.

Overall, the number and kind of regulated professions differ largely across the EU: According to the regulated professions database of the European Commission, they range from 77 in Lithuania to 543 in Hungary.³² The example of physiotherapists (who constitute the fourth most mobile profession across the EU) shows the variety of regulation types that exist across the EU: In several countries, physiotherapists have a protected title (for example in Germany and Sweden). In others, such as in Italy, some activities of physiotherapists are reserved to holders of a specific professional qualification. In another group of countries, including France and Belgium, both regulation types are combined. Moreover, while one profession might not be regulated in one country, it can be in another. As EU citizens intending to work in a regulated profession abroad are subject to regulations of the host country, different requirements across EU member states can make it more difficult for them to work abroad. If the applicant's qualifications differ significantly from the ones required by the host country, applicants can be asked to fulfil compensation measures, which can be an aptitude test or a period of supervised practice ("adaptation period").³³

The regulation professions database nonetheless also shows that across the EU, a large majority of recognition decisions are positive. However, it also reveals large differences between countries: Taking in account the period from 2014 to 2018, 82 percent of recognition decisions in Germany were positive. 18 percent of decisions were neutral, which means that cases were still examined, underwent an adaptation period or an appeal. On the other side for example, only 54 percent of decisions in Italy were positive but 34 were neutral and 12 percent negative. This means that access to the regulated profession has been refused.

Untapped potential: Over-qualification among mobile EU citizens

Whether or not mobile EU citizens are able to translate their qualifications into an adequate job and salary commensurate with their qualifications is a vital issue regarding their participation in the labour market. Yet in particular

³² European Commission, Regulated professions database, as of January 2019.
³³ EU directive 2005/36/EC on the recognition of professional qualifications.

EU nationals from CEE countries often seem to not be able to match their qualifications with suitable positions or salaries that are considered adequate in their destination country. According to the OECD as of 2014, more than half of tertiary graduates among movers from Central and Eastern Europe worked in occupations that demand low or medium skill levels.³⁴ In a similar vein, a report prepared for the European Commission suggests that EU nationals from member states that joined the EU since 2004 were more likely to feel over-qualified (37 percent) than those from older member states (27 percent) or the resident population (20 percent).³⁵

young mobile citizens from Southern Europe receive wages similar to their UK peers, and young movers from the rest of the EU (especially from France and Germany) have hourly wages that are on average more than 20 percent higher.

Zooming in: Young EU migrants in the UK

Such imbalances in matching qualification with commensurate job position and salary as seen above also hold true for young EU migrants from CEE countries that joined the EU between 2004 and 2007. Researchers from Oxford University investigated the situation of young CEE migrants aged 20 to 34 in the UK between 2010 and 2014 and found that their employment rate was higher than that of UK nationals in the same age group.³⁶ Young migrants from CEE countries were more likely than locals to work in manufacturing (26.4 percent versus 9.1 percent). In particular, young Bulgarians and Romanians were more likely to work in construction compared to their UK peers (21 versus 7.6 percent) but also just as likely to work in financial services.

The research showed that young EU nationals from CEE countries were less able to translate their qualifications into matching professions: 13 percent of them were over-qualified for the job they did, compared to about two percent of their UK peers and of Southern European nationals and one percent of those from the rest of the EU. The research also suggests that young migrants from CEE countries have the biggest problems in matching qualifications with earnings: In gross hourly wages, they are on average paid a fifth less than their UK peers. On the other hand,

34 OECD, EU, 2014, *Matching economic migration with labour market needs in Europe*.

35 Elena Fries-Tersch et al. 2017, *2016 Annual Report on intra-EU Labour Mobility*, prepared for the European Commission, Publications Office of the European Union, Luxembourg.

36 Thees F. Spreckelsen and Martin Seeleib-Kaiser, 2016, *Hard Evidence: how integrated are young EU migrants into the UK workforce?*; Thees F. Spreckelsen and Martin Seeleib-Kaiser, 2016, *Dimensions of labour market integration among young EU migrant citizens in the UK*, Barnett Papers in Social Research, Oxford University.

A lifetime of gender inequality in Europe

Did you know that ...

- ... of 1,000 women with a university degree, only 24 graduate in ICT fields – and just six of them will actually start working in the digital sector?
- ... while the overall employment rate of women is 11.5 percentage points lower than men's, the part-time proportion among women is, at 31.1 percent, almost four times as high as among men (8.1 percent)?
- ... only about one in four board members of the largest listed companies across the EU are women and in most EU countries less than one in three national parliamentarians is female?
- ... the average pension gap between women and men in the EU amounts to 37.2 percent? It ranges from 1.8 percent in Latvia to above 45 percent in the Netherlands and Cyprus.

Inequalities between men and women constitute one of the most persistent social imbalances in the EU. Even though recent years have seen progress, reducing gender inequalities in Europe remains an immense task: Women's employment rates are lower than men's; when women work, they earn less than men and they remain under-represented in political and economic decision-making. What is more, they carry the main burden of unpaid care activities for children or older family members. All these factors translate into a significant pension gap for elderly women, which limits their economic independence and exposes them to the risk of poverty in old age.

Gender-based inequalities are often interlinked and accumulate. This dossier therefore takes a lifetime perspective on gender inequality in Europe: first, we look at the education choices of young women and, as their careers proceed, at female under-representation in economic and political decision-making. We then turn to the implications of parenthood on employment and conclude with the accumulated income gap that translates into lower pensions for elderly women.

European women are under-represented in key economic sectors and decision-making positions

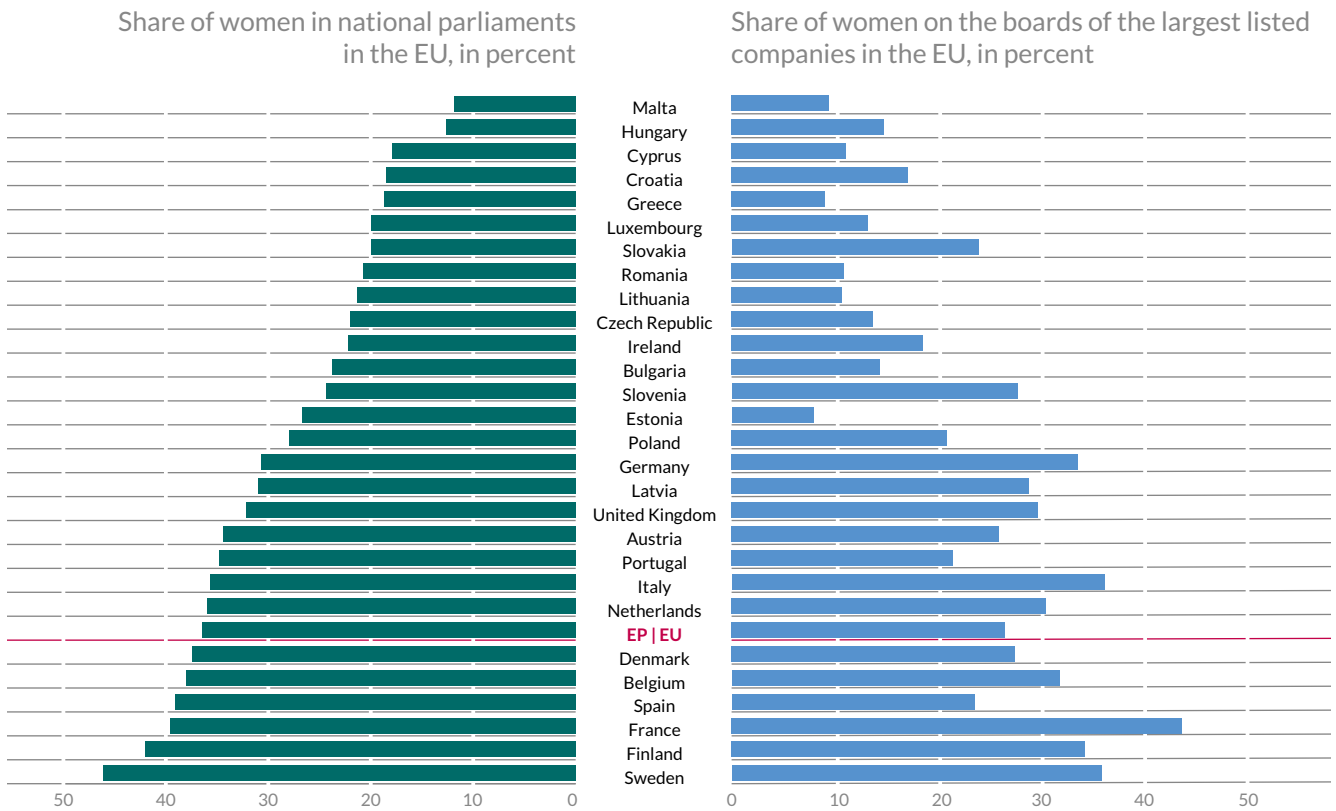
Women across Europe perform well in education. In 2016, 57.6 percent of tertiary graduates in the EU were female.³⁷ Yet they are under-represented in booming and high-paying economic sectors such as information and communication technology (ICT) as well as in Science, Technology, Engineering and Mathematics (STEM). In 2017, women represented 17.2 percent of ICT specialists in the EU.³⁸ Even though women are closing the gap in the sciences and engineering sectors in the EU (of which they represented 40 percent in 2016), they accounted for 45 percent of engineers and scientists in the service sector but for less than 20 percent of the same group in manufacturing.³⁹

³⁷ Eurostat, 2018, Tertiary education statistics.

³⁸ Eurostat, 2018, Girls and women under-represented in ICT.

³⁹ Eurostat, 2018, Women in Science and Technology.

Representation: European women are underrepresented in political and economic decision-making



Note: Data accessed in January 2019; ordered by share of women in national parliaments in the EU. Sources: International Parliamentary Union; EIGE, Gender Statistics Database.

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Such disparities in the labour market strongly correlate with imbalances in education: As a study for the European Commission shows, out of 1,000 European women with a tertiary education, only 24 graduated in ICT fields – and only six of them would start working in the digital sector. In contrast, out of 1,000 men in the EU, 92 graduated in ICT-related fields – and 49 of them would take up a job in ICT after graduating.⁴⁰ In contrast, women represent the majority of graduates in sectors that are traditionally less well-paid: four out of five graduates in the field of education and three out of four graduates in health and welfare are female.⁴¹

There is no single factor that explains such imbalances in education and the labour market. For young aspiring women, factors such as gender stereotypes and social norms, inflexible working time arrangements and insufficient work-life balance provision as well as the lack of role models might influence their professional choices. Women already working in male-dominated sectors might drop out of those sectors in which they were initially educated and change their careers halfway through (the so-called “leaky pipeline syndrome”). What contributes to this are both informal as well as institutionalised barriers such as per-

⁴⁰ Carlota Tarín Quirós et al., 2018, Women in the Digital Age, study prepared for the European Commission, Publications Office of the European Union, Luxembourg.

⁴¹ EIGE, 2018, Study and work in the EU: set apart by gender, Publications Office of the European Union, Luxembourg.

sonnel and recruitment practices, future prospects, exclusion from or limited access to informal networks.⁴²

The gender differences in education that translate into a segregated labour market are one factor contributing to the overall pay gap between men and women: In 2016, women across the EU still earned 16.2 percent less for each hour worked than men. The different career choices also mean that women will miss out on economic opportunities: The European Commission estimates that by 2020 half a million jobs will be vacant in the ICT sector alone.⁴³

Apart from horizontal segregation of the labour market, there is also a vertical gender imbalance: Today, men still hold a majority of political and economic decision-making positions in Europe. For example, in a majority of EU member states less than one in three national parliamentarians is female. The differences across EU member states are significant: Whereas more than 40 percent of Swedish and Finnish parliamentarians are women, less than 20 percent in Greece, Croatia, Cyprus, Hungary and Malta are female (see figure on page 25). Women are also still largely under-represented in economic decision-making: according to the European Institute for Gender Equality, women make up only about one in four board members in the largest listed companies across the EU. While the female share of board members was below ten percent in Malta, Greece and Estonia, it reached 44 percent in France.

Women bear main burden of juggling work and family life

In 2017, women's employment rate across the EU was 11.5 percentage points lower than men's. Yet their part-time rate is, at 31.1 percent, almost four times as high as for men (8.1 percent). One of the main reasons is that women still bear the lion's share of unpaid care work. 44 percent of women who worked part-time in 2017 did so because of family, personal or caring responsibilities. To

42 Ibid.; EIGE, 2017, Work in the EU: women and men at opposite ends; Konstantina Davaki, 2018, The underlying causes of the digital gender gap and possible solutions for enhanced digital inclusion of women and girls, study commissioned by the European Parliament.

43 European Commission, 2018, The top ICT skills in demand by companies today.

see the impact of the fact that women work less paid hours than men, it is important not only to consider the overall employment rate, but to also look at full-time equivalent employment rates (see figure on page 27). Moreover, 31 percent of women who are not working nor actively seeking employment cited care obligations as the main reason for their labour market inactivity, the highest score for more than 15 years. When it comes to parental leave, a recent Eurobarometer survey shows that 57 percent of women did take or consider taking it but only 32 percent of men. The gap is at its smallest in Sweden, where 73 percent of men and 78 percent of women did take or consider taking parental leave, and largest in the Czech Republic (19 percent of men and 83 percent of women).⁴⁴

As mothers bear most care responsibilities, a lack of childcare can have a significant impact on their labour market participation. In 2002 the EU member states set themselves the target to "remove disincentives to female labour force participation and strive [...] to provide childcare"⁴⁵ for at least 33 percent of children under three and for at least 90 percent of children between three years until mandatory school age by 2010. As of then, only eight EU member states managed to meet both the above objectives.⁴⁶ The situation has improved since then but large variations between member states remain. As of 2016, in nine EU countries – most of them newer member states – childcare participation rates of children less than three years old were lower than twenty percent, in four of them (Slovakia, the Czech Republic, Poland and Greece) even lower than ten percent. In several EU countries with weak childcare provision, the employment rate of mothers with very young children is below average or even among the lowest in the EU.

Zooming in: Motherhood and employment in the Czech Republic

At 76.3 percent, the employment rate of women between 20 and 49 years in the Czech Republic exceeded the EU average by three percentage points in 2017. This is not the case for mothers with

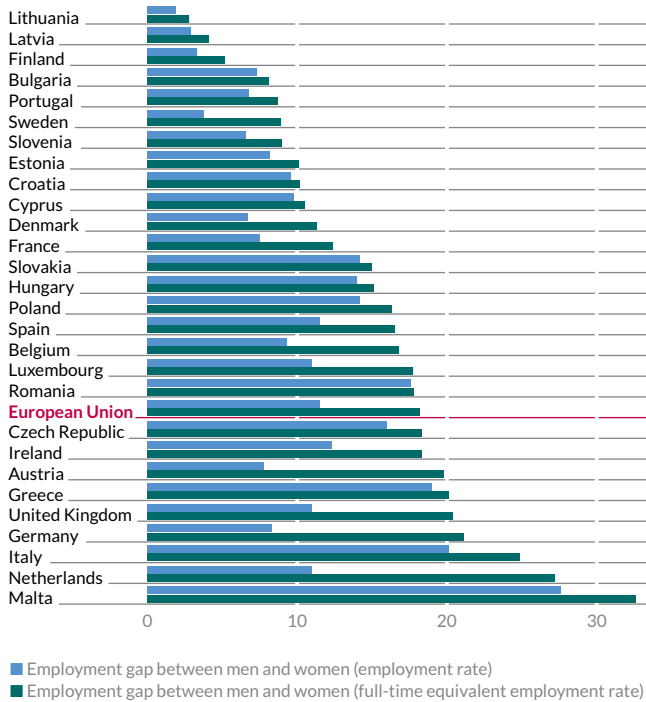
44 European Commission, 2018, Work-Life Balance, Flash Eurobarometer 470.

45 European Council, 2002, Presidency Conclusions, Barcelona European Council, 15/16 March 2002.

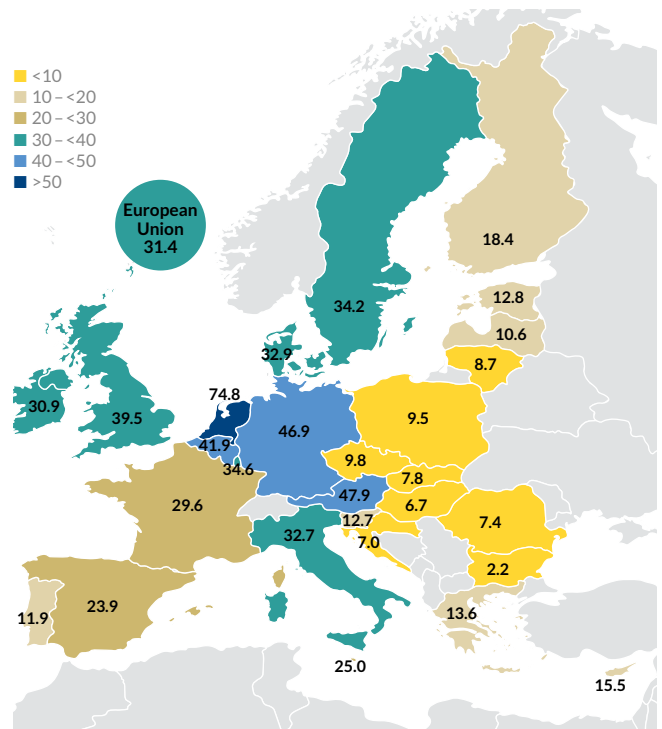
46 European Commission, 2013, Childcare: Commission calls on Member States to do more, Press Release.

Employment gaps: Women’s employment rate is still lower than men’s

Gaps between male and female employment rates and full-time equivalent employment rates in 2016, in percentage points



Share of women working part-time in 2016, in percent



Note: Age group 20 to 64 years, author’s own calculations (employment gap).
Sources: European Commission, 2017, Women in the Labour Market, European Semester Thematic Factsheet (gender employment gap); Eurostat, LFS (part-time work).

young children: the employment rate of mothers with a child under the age of six was, at 38.2 percent, 30 percentage points lower than the EU average (68 percent). By contrast, parenthood does not seem to have a negative impact on men’s participation in the Czech labour market: at 97.7 percent, the employment rate of fathers aged 20 to 49 years with a child under the age of six in the Czech Republic is the highest across the EU.

What are the reasons behind such a strong gender gap in labour market participation of parents in the Czech Republic? First, the country experienced a massive closure of childcare facilities in the 1990s that went hand in hand with the rise of domestic childcare performed largely by women.⁴⁷ Care participation rates for Czech children under three were less than five percent in 2016,

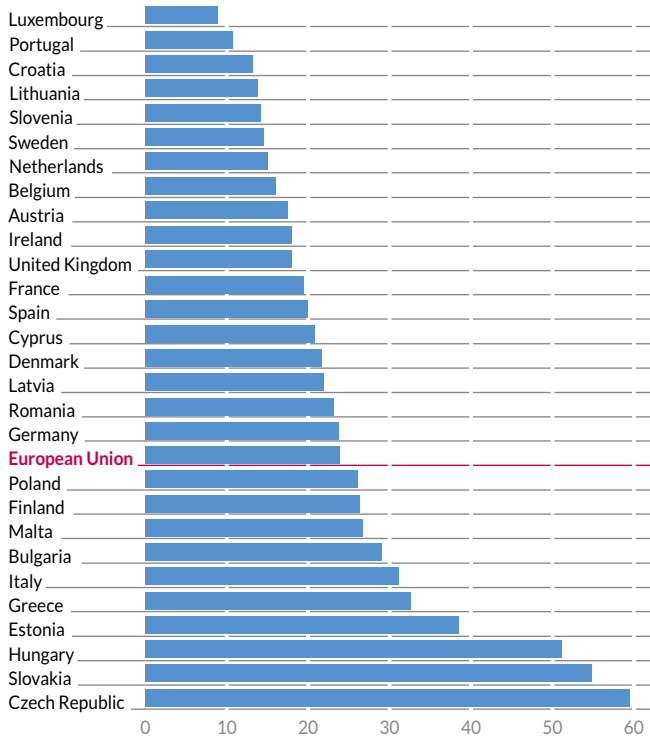
second only to Slovakia (0.5 percent). Women also constitute the main users of long parental leave entitlements: According to the Eurobarometer survey cited above, 83 percent of Czech women – but only 19 percent of men – did take or consider taking such leave.

Second, flexible work models that allow a better work-family balance as well as part-time employment are still rare in the Czech labour market: only eleven percent of women aged 20 to 64 years worked part-time in 2017. Correspondingly, three out of four Czech women (25 to 49 years) mention family or care responsibilities as the main reason for being inactive – one of the highest rates in the EU. Even though women generally return to work after parental leave, the lack of (affordable) childcare and the low uptake of flexible work arrangements hinders parents’ ability to juggle work and care of young children, with mothers being more likely to be unem-

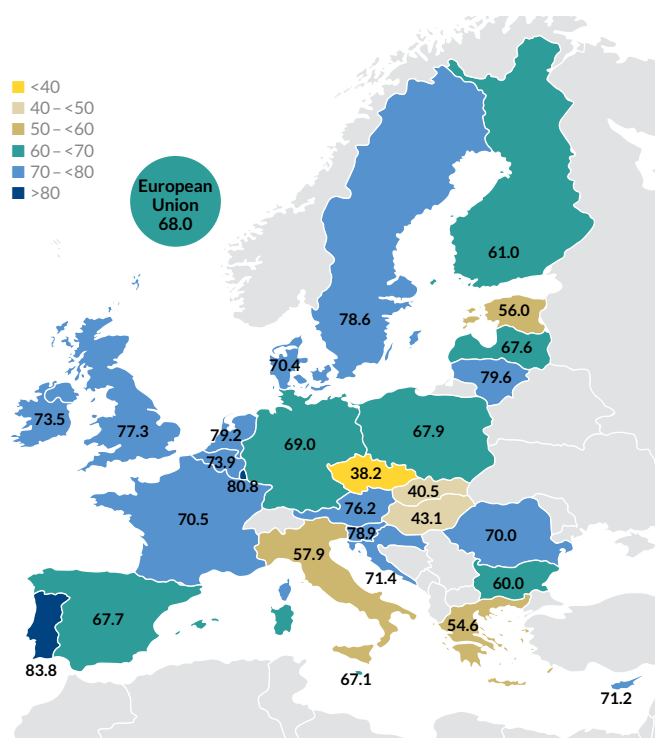
47 European Commission, Country profiles – Czech Republic: Policies and progress towards investing in children.

Parenthood and employment: Different impacts on the labour market participation of men and women

Employment gap between men and women with one young child under the age of six in 2017, in percentage points



Employment rate of women with one child under the age of six in 2017, in percent



Note: Age group 20 to 49 years.
Sources: Eurostat, EU-LFS, author's own calculations.

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ployed than childless women. Even though the European Commission has noted some improvements, women with young children still constitute an especially vulnerable group on the Czech labour market.⁴⁸

The consequences of accumulated gender inequalities in old age

Inequalities in labour market participation and differences in earnings between men and women build up over a lifetime. For example, recent research shows that German women born in the years 1950 to 1964 accumulated

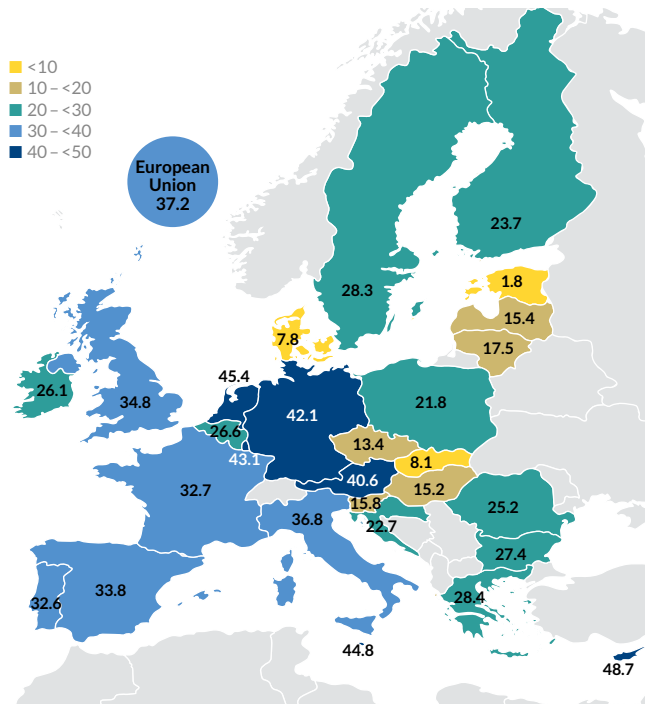
49.8 percent less aggregate earnings than men of the same age group at the end of their careers.⁴⁹ Earning differences, fragmented careers and bearing the main share of unpaid family care also make it much harder for a woman to build up adequate pension entitlements throughout her working life. The pension gap shows the difference in average pensions for men and women. In 2016, pensions of women aged 65 to 79 were on average 37.2 percent lower than men's across the EU (see figure on page 29). The largest pension gaps exist in Cyprus (48.7 percent), the Netherlands (45.4 percent) and Malta (44.8 percent), and the smallest in Estonia (1.8 percent), Denmark (7.8 percent) and Slovakia (8.1 percent). In addition, one in five women in Europe aged

48 European Commission, 2017, Country Report Czech Republic 2017, Accompanying document, SWD (2017) 69 final.

49 Christina Boll et al., 2017, The gender lifetime earnings gap – exploring gendered pay from the life course perspective, HWWI Research Paper 179. The data used mainly covers women from West Germany.

Pensions: In most EU countries women receive much less than men

Pension gap between men and women in 2016, in percent



Note: Data refers to pensioners aged 65 to 79 years.

Source: European Commission, 2018, Pension Adequacy Report.

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65 or above is at risk of poverty or social exclusion. Again, this varies greatly across EU member states: While in the Netherlands, the proportion of men and women aged 65 and above at risk of poverty or social exclusion was roughly equal at ten percent, the rate amounted to over 40 percent of elder women in the Baltic countries and exceeded 50 percent in Bulgaria. These countries also showed the biggest gaps between men and women aged 65 and above with regard to being at risk of poverty or social exclusion (14.3 to 21.2 percentage points).⁵⁰ Small(er) pensions might not only put elderly women at greater risk of poverty but also undermine their economic independence in old age, a process that worsens with separation or widowhood.⁵¹

⁵⁰ European Commission, 2018, Pension Adequacy Report 2018, Publications Office of the European Union, Luxembourg.

⁵¹ EIGE, 2016, Poverty, gender and intersecting inequalities in the EU, Publications Office of the European Union, Luxembourg.

What it means to be poor in Europe

Did you know that ...

- ... in 2017, 113 million Europeans lived at the risk of poverty or social exclusion, representing 22.5 percent of the EU's population?
- ... between 2008 and 2017, at-risk-of-poverty rates rose in eleven EU countries, including in Italy, Spain, the Netherlands, and Sweden?
- ... more than one in five Europeans faced either difficulty or great difficulty in making ends meet in 2017?
- ... 34 percent of Europeans said they were unable to face unexpected expenses such as repairing a broken washing machine?
- ... 38 percent of households at risk of poverty were affected by disproportionate housing costs in 2017 (accounting for more than 40 percent of their disposable income)? By contrast, among households not at risk of poverty only five percent were affected.

In 2010 EU governments set themselves the goal of lifting at least 20 million people out of the risk of poverty or social exclusion by 2020.⁵² Until very recently, this goal was missed by a wide shot. In 2016 there were still more people at risk of poverty than in the reference year 2008. Only in 2017 did the number of people at risk of poverty fall by about four million below the 2008 benchmark and even so more than one in five Europeans is still affected.

A lot of monitoring is done to keep track of who is poor and why – but we spend less time understanding what it means to be poor. After a brief overview of how poverty developed in different member states during the economic crisis, we change track and take a look at some of the day-to-day problems of Europeans living at risk of poverty – such as being able to face unexpected expenses or to find affordable housing.

⁵² European Commission, 2010, Europe 2020: A strategy for smart, sustainable and inclusive growth.

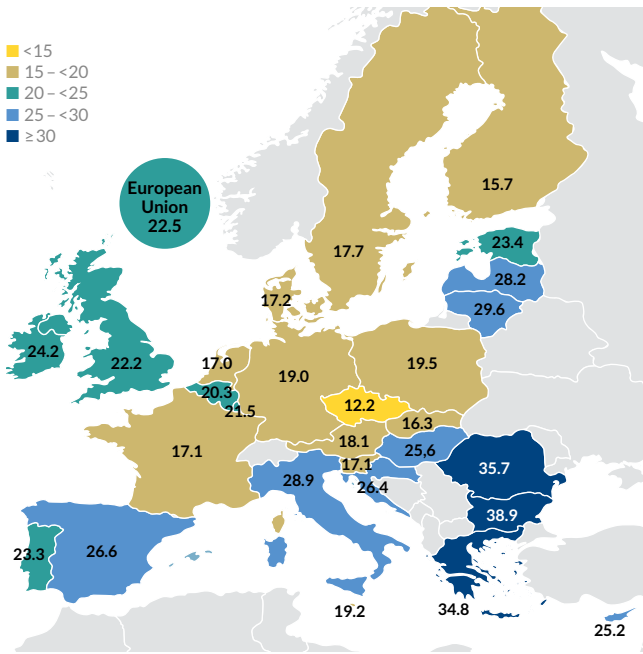
Poverty takes different shapes across the EU

Being at risk of poverty or social exclusion is the official measurement for poverty used by EU institutions. It means that a person is affected by at least one of the following three criteria: being at risk of poverty after social transfers (welfare benefits), being severely materially deprived or living in a household with very low work intensity.⁵³ At risk of poverty after social transfers, also known as income poverty, means living with less than 60 percent of the national median disposable income. Severely materially deprived means that a household is unable to afford four or more out of nine items of material subsistence, such as a decent meal every other day or the ability to cover unexpected financial expenses. The work intensity indicator counts all people aged under 60 living within a household whose working-age members together worked less than 20 percent of their potential during the previous twelve months.

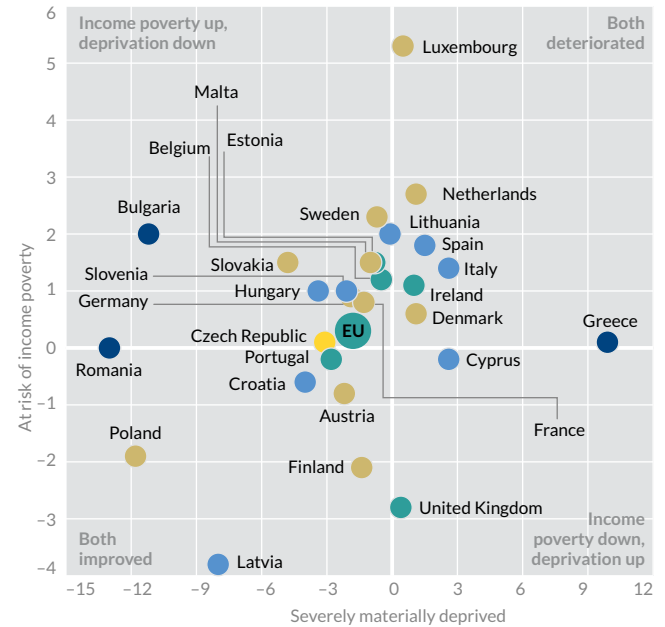
⁵³ Eurostat, 2018, People at risk of poverty or social exclusion.

Risk of poverty and social exclusion: Some countries are catching up, some are falling behind

People at risk of poverty or social exclusion in 2017, in percent



Change in risk of income poverty and severe material deprivation from 2008 to 2017, in percentage points



Source: Eurostat, EU-SILC survey.

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Given the vast disparities in living standards, welfare state traditions and levels of inequality, poverty takes very different shapes across Europe. These differences can be illustrated by comparing the first two measures: being at risk of income poverty and severe material deprivation.

The figure above shows the extent of poverty and social exclusion across member states and the change in income poverty and severe material deprivation since 2008: During the financial and economic crisis, both measures went up across Europe. While the average level of material deprivation has been constantly in decline since 2012, the risk of income poverty continued to increase slowly until 2017 despite the economic recovery.

The overall trend masks wide differences between member states across Europe, particularly for material deprivation: In Sweden, for example, severe material deprivation stands at a mere 0.8 percent, while in Bulgaria 30 percent of the population are affected. Looking at changes over time,

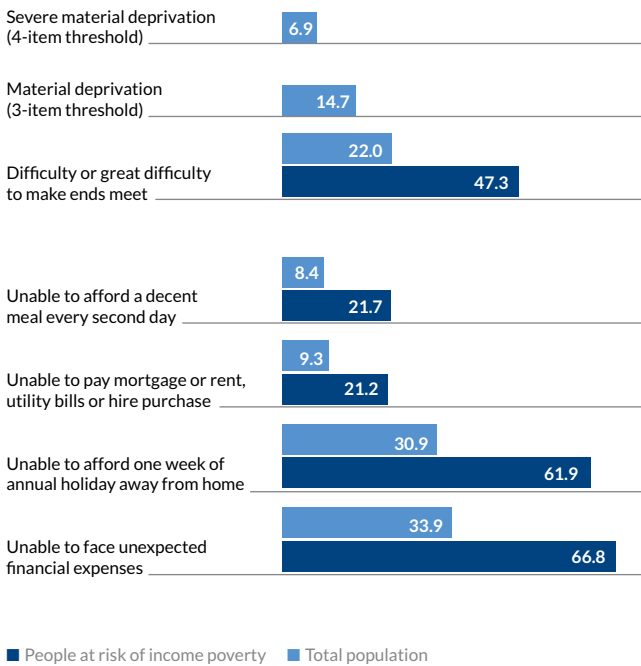
only a few countries such as Latvia and Poland were able to improve on both measures compared to 2008. In crisis-ridden countries such as Spain and Italy, both income poverty and deprivation deteriorated compared to pre-crisis levels. Greece stands out as the only country where deprivation went up significantly without substantial changes in income poverty, meaning that large parts of society suffered income losses during the crisis.

The reality of material and social deprivation

Material deprivation is generally on the decline in Europe and affects much fewer people than income poverty. In fact, it is the one measure of poverty that has been declining most rapidly across Europe, thanks to double-digit reductions in Poland, Bulgaria and Romania. Nevertheless, the bar for being considered severely materially deprived

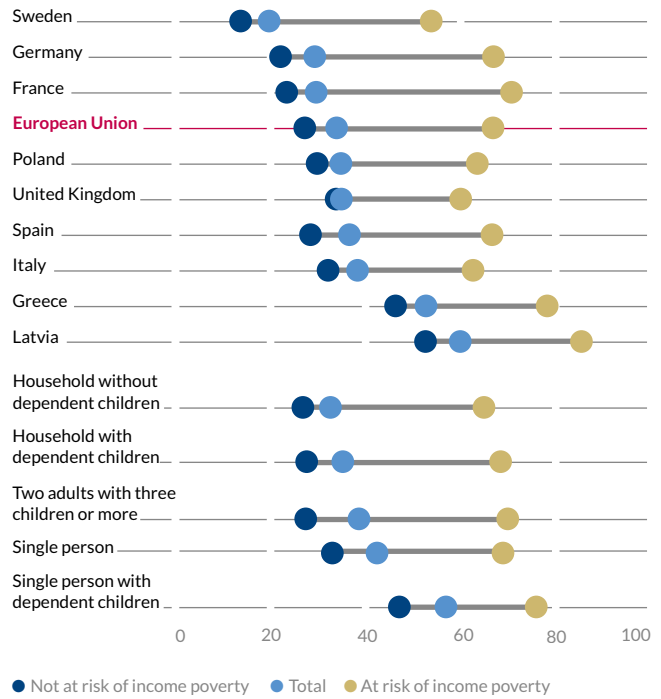
Economic strain: Prevalent among – but not confined to – people at risk of poverty

Share of EU population affected by material deprivation and selected items of economic strain in 2017, in percent



Note: The question related to a decent meal asks for the ability to afford a meal with meat, chicken, fish (or vegetarian equivalent) every second day.
Source: Eurostat, EU-SILC survey.

Share of population unable to cover unexpected financial expenses in 2017, in percent



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is also quite high: being unable to afford four out of nine basic items of material subsistence. This nine-item list monitored under the Europe 2020 strategy asks whether a person can afford to pay their rent, mortgage or utility bills; keep their home adequately heated; face unexpected expenses; eat meat or proteins regularly; go on holiday; or own a television set, washing machine, car and telephone.

Affording annual holidays is not on the cards for most Europeans at risk of poverty (see figure). What is striking is that in 2017 as many as 25 percent of Europeans unaffected by poverty were still unable to afford a one-week vacation. This was particularly the case in CEE and Southern European countries: in Romania almost 60 percent of those not considered at risk of poverty were unable to go on vacation. Research suggests that this is also

the first item that households would curtail if under economic strain.⁵⁴

The inability to face unexpected financial expenses such as replacing a broken washing machine is the most widespread measure of deprivation and highlights the vulnerability of many low-income households. It is also a measure that has declined little over recent years. Almost 70 percent of households at risk of poverty are vulnerable to unexpected expenses. Even in rich countries such as Sweden every second poor household is affected. Again, single households face the greatest difficulties in covering unexpected expenses.

54 Joseph Deutsch et al., 2015, Material Deprivation in Europe: Which Expenditures are Curtailed First? Social Indicator Research 120(3).

Zooming in: Poverty and the loss of social networks

Many poor households struggle to make ends meet with their available income: Across the EU, more than one in five Europeans has difficulties or great difficulties in paying their bills and meeting daily expenses. This proportion rises to one in two at risk of poverty. What is more, research suggests that households at risk of poverty are also more likely to lose the social network of friends and family that could partly compensate for their lack of material resources.

Data from Eurofound's 2016 European Quality of Life Survey shows elevated risks of social exclusion for the quarter of the population with the lowest incomes. Social exclusion means that people feel that they are left out or that other people look down on them.⁵⁵ Research by Petra Böhnke from the University of Hamburg found that, across the EU, people in the lowest income quartile are also much less likely to be able to rely on social support from friends and families such as asking for help when having financial difficulties or having somebody to talk to about personal matters.⁵⁶

Yet, there are differences across member states, depending on welfare state traditions and cultural factors: Recourse to the family generally decreases among people at risk of poverty, particularly in Scandinavia, the Baltic countries and some continental member states such as Belgium or France. In Southern European countries, by contrast, people are more likely to turn to their family in case of financial hardship.

The struggle to find affordable housing

High housing costs can be a burden on household finances: Factoring in housing costs significantly pushes up the average proportion of Europeans at risk of poverty – from 16.9 to 31.1 percent in 2017. In ten EU member states the poverty risk more than doubles when housing costs are taken into account: among these are both rich countries such as Denmark, Germany and the UK and poorer ones such as Hungary and Greece.⁵⁷

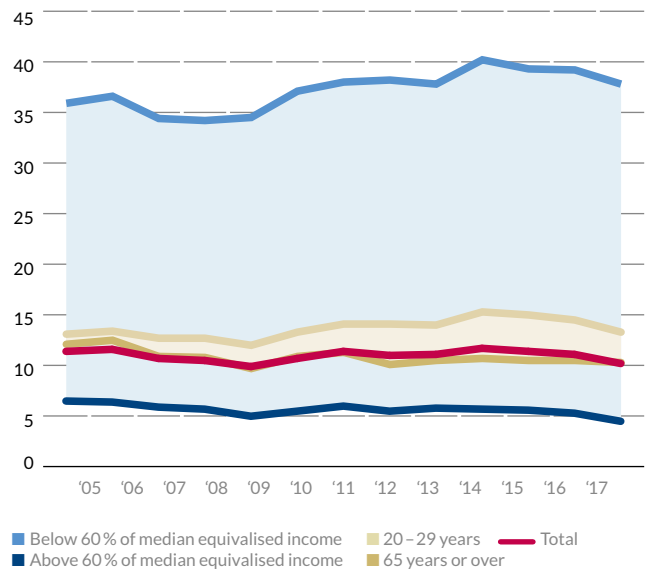
55 Eurofound, 2017, European Quality of Life Survey 2016: Quality of life, quality of public services, and quality of society.

56 Petra Böhnke, 2008, Are the poor socially integrated? The link between poverty and social support in different welfare regimes, *Journal of European Social Policy* 18(2).

57 Eurostat, 2018, Living conditions in Europe – 2018 edition. Numbers updated to 2017.

Housing cost overburden: Young and poor households are disproportionately affected

Housing cost overburden in the EU among selected income and age groups, in percent



Note: The housing cost overburden rate is the percentage of the population living in households where the total housing costs account for more than 40 percent of the disposable income.

Source: Eurostat, EU-SILC survey.

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In 2017, ten percent of EU households spent more than 40 percent of their disposable income on housing costs, which is defined as housing cost overburden. While the rate remained relatively constant for Europe's population at large, it rose from around 35 percent in 2009 to about 40 percent in 2014 for households already at risk of poverty. Over the same period, housing cost overburden also spread among young people, who were generally hit harder by the economic downturn.

High rates of housing cost overburden can have different reasons. The two countries with the highest rates are: Greece with 40 percent and Bulgaria with 19 percent. In both countries these rates seem related to the economic crisis, as they rose strongly after 2010. Denmark (16 percent) and Germany (15 percent) follow in places three and four. In Denmark and Germany the high rates can be explained by the proportion of renters versus homeowners: Across the EU, 25 percent of tenants renting at market

prices face overburden while this is only the case for 4.6 percent of homeowners with mortgages.⁵⁸ In both Denmark and Germany, the share of tenants paying rent at market prices is among the highest in Europe, while that of homeowners is relatively low compared to the EU average.

Although housing cost overburden is on a downward trend in the EU, the problem is very pressing in some countries and for specific groups such as people with low incomes renting at market prices in urban areas.

⁵⁸ Eurostat, 2018, Living conditions in Europe. 2018 edition, Publications Office of the European Union, Luxembourg.

Barriers to healthcare access in Europe

Did you know that ...

- ... seven out of ten Europeans perceived themselves to be in very good or good health in 2017? This holds for 80.4 percent of EU citizens with high incomes but for just 61.2 percent of Europeans on low incomes?
- ... more than half of low-income households in Greece face great difficulties in affording healthcare? In another six EU countries, this also concerns more than 20 percent of the same group.
- ... more than 2.5 million or a quarter of the Greek population lost their health insurance coverage during the economic crisis?
- ... out-of-pocket costs for healthcare range from as low as ten percent in France to 45 percent in Latvia and Cyprus and 48 percent in Bulgaria?

Having access to affordable and good quality healthcare is essential to people's quality of life. However, barriers to healthcare can significantly increase social imbalances, in particular for already vulnerable groups such as low-income households, the unemployed or people living in remote areas.

This dossier focusses on three areas of potential barriers to accessing healthcare in Europe: First, we examine how income levels may influence the ability to afford healthcare and look in particular at out-of-pocket payments. Second, we look at coverage for healthcare across Europe and zoom in on the situation in Greece during the financial crisis. Third, we shed light on how regional imbalances in healthcare provision might affect Europeans' access to care.

Lower income groups face greater difficulties in affording healthcare

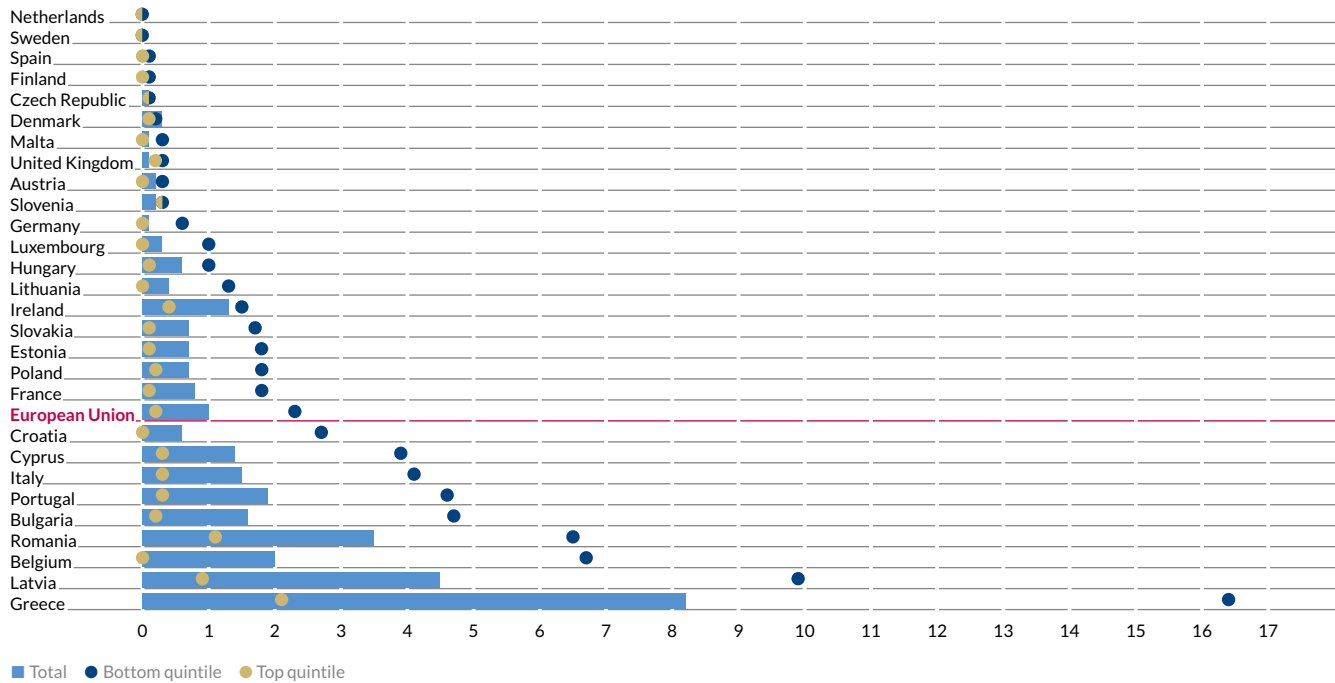
In 2017, seven in ten Europeans thought of themselves as being in very good or good health. While this was true for

80.4 percent of the top income quintile (the 20 percent of the population with the highest income), it only held up for 61.2 percent in the lowest quintile.

A similar difference is observable with regard to healthcare access: The overall proportion of Europeans reporting unmet healthcare needs is generally low and has declined over recent years. However, low-income households are still much more likely to report they are unable to meet healthcare needs. One factor that adds to such disparities is affordability: Four out of ten households earning below 60 percent of median equivalised income reported some, moderate or great difficulties in affording healthcare in 2016, compared to almost three in ten households of the EU total. Such findings show that income levels matter for healthcare access – and in some EU countries more than in others: While less than five percent of low-income households in the UK, Finland and Denmark face great difficulties in affording healthcare, this concerns more than 20 percent of the same group in Ireland, Latvia, Belgium, Hungary, Slovakia and Cyprus – and more than half of low-income households in Greece. Country differences also show up in Eurostat data on unmet health care

Unmet healthcare needs: Lower income groups are disproportionately affected

Self-reported unmet needs for medical examination due to being too expensive, 2017, in percent



Note: By income quintile, age group 16 years or over.
Source: Eurostat, EU-SILC survey.

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needs: In 2017, an estimated 2.3 percent of Europeans in the lowest income quintile reported that they were unable to undergo medical examination because they could not pay for it. However, this figure was as high as 9.9 percent for Latvia and 16.4 percent in Greece. In the case of Greece, this share has been above 10 percent since 2011 and peaked at 34.3 percent in 2016. For Latvia, more than 20 percent of the lowest income quintile consistently reported unmet needs between 2010 and 2014.

How high out-of-pocket costs constitute a barrier to healthcare

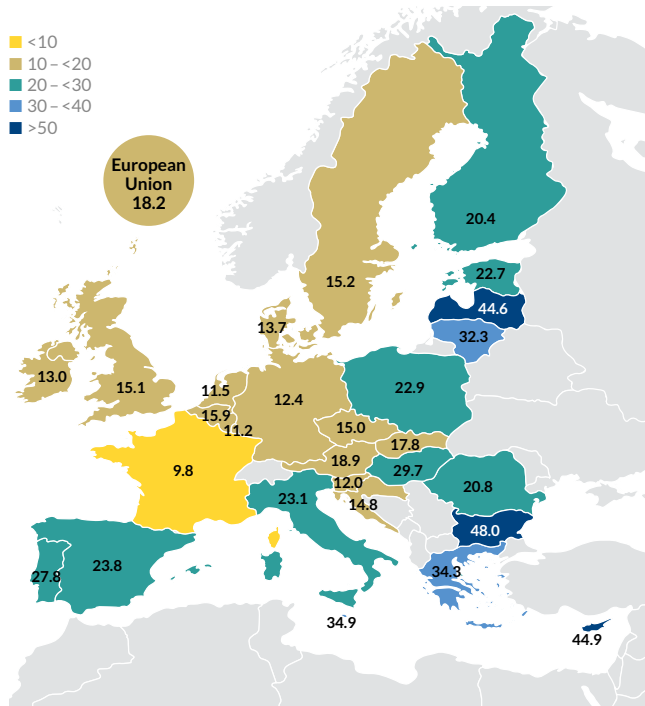
An essential factor behind healthcare affordability is the scale of out-of-pocket costs. These are health expenditures (for example on medicine) not fully covered by public or private insurance that have to be borne by patients themselves. According to the OECD, out-of-pocket costs consti-

tute roughly a fifth of health spending across EU countries (see figure on page 37). This proportion can be as low as ten percent in France but reach over 40 percent in Latvia, Cyprus (both 45 percent) and Bulgaria (48 percent).

The Latvian example shows how such high out-of-pocket payments can constitute an essential barrier to healthcare: Healthcare providers in Latvia are given annual quotas for services that will be covered by the national health service. Once those quotas are reached, patients need either to wait until the following year or pay for the services themselves. The impact is particularly heavy on the poorest income quintile: In 2013, more than one in four households in this income group faced “catastrophic” out-of-pocket costs. These are medical costs that exceed 40 percent of total household consumption spending after subtracting spending on subsistence needs such as food, housing

Healthcare costs: Out-of-pocket payments for healthcare vary significantly across the EU

Share of total health spending financed by out-of-pocket payments in 2016 or latest year, in percent



Source: OECD Health Statistics 2018.

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and utilities.⁵⁹ The extent of “catastrophic” out-of-pocket spending on healthcare varies across EU countries: It affects less than two percent of households in Slovenia, Ireland, the UK, Sweden and France, but over eight percent in Latvia, Hungary, Portugal, Greece, Lithuania and Poland.⁶⁰

The share of out-of-pocket costs within total health spending also mirrors how far the use of healthcare is financially protected in an individual country. If such protection is insufficient or absent, falling sick or requiring

long-term treatment might pose too much of a financial burden upon households, which can not only limit one’s access to healthcare but also increase poverty.⁶¹

Coverage for healthcare in Europe is high, but gaps persist

The comprehensiveness of health insurance coverage can indicate the level of financial protection provided by the system. Key to assessing coverage is: who is covered, what health services are included and what proportion of the costs is covered. Most EU countries provide universal healthcare coverage for a basket of core services. Across EU member states, public coverage is generally less extensive for pharmaceuticals or dental care than for outpatient care and inpatient care, which is the most comprehensively covered type of care in the EU.⁶² Yet, significant differences with regard to service and cost coverage remain among EU members.

More than ten percent of the population are not covered even for a core set of services in Cyprus, Romania and Bulgaria. In another five countries, this concerns five to ten percent of the population (Poland, Lithuania, Estonia, Slovakia, Hungary).⁶³ What might explain such gaps to some extent is, for example, a relatively high number of people working abroad (such as in Bulgaria or Romania) or for international institutions that have other insurance regimes (such as in Luxembourg). In the case of Romania, data also shows that coverage is much higher in urban areas (94.9 percent) than in rural areas (75.8 percent). This gap might partially be explained by the fact that among those not contributing to health funds and hence uninsured are, amongst others, agricultural workers. But it also concerns the self-employed, unemployed unregistered for benefits as well as Roma without identity cards.⁶⁴ A significant share of Roma is also not covered by insurance in Bulgaria. Here, citizens can lose health insurance if they fail to pay three monthly contributions within three years. This

59 OECD, European Observatory on Health Systems and Policies, 2017, Latvia: Country Health Profile 2017, State of Health in the EU, OECD Publishing, Paris, European Observatory on Health Systems and Policies, Brussels; Maris Taube et al., 2017, Financial protection in high-income countries: a comparison of the Czech Republic, Estonia and Latvia, Report prepared by the WHO Regional Office in Europe, World Health Organization.

60 OECD, EU, 2018, Health at a Glance: Europe 2018: State of Health in the EU Cycle, OECD Publishing, Paris.

61 Ibid.

62 Ibid.

63 Ibid.

64 OECD, European Observatory on Health Systems and Policies, 2017, Romania: Country Health Profile 2017, State of Health in the EU, OECD Publishing, Paris, European Observatory on Health Systems and Policies, Brussels.

in particular affects vulnerable groups like the long-term unemployed or the poor.⁶⁵ In several EU countries, some groups are not mandatorily covered. These can include some people in non-standard employment and precarious jobs, certain categories of self-employed or people who have not yet contributed a minimum number of years, including young people entering the labour market.⁶⁶

Zooming in: Coverage for healthcare during the economic crisis in Greece

The Greek healthcare system was hit hard by the economic crisis. Between 2003 and 2009, real per capita health spending in Greece saw bigger increases than on average across the EU. But between 2009 to 2013 it contracted by on average 8.7 percent per year.⁶⁷ As health coverage in Greece used to be mainly linked to employment status, the strong increase in unemployment during the crisis caused more than 2.5 million or almost a quarter of the Greek population to lose their health insurance coverage, including for their dependents. As of 2015, 14 percent of the population were still not covered. The loss of eligibility and coverage might have contributed to the reported high rates of unmet need in Greece. After earlier failures, since 2016 legislation in Greece aims at ensuring that even those who became uninsured through losing their job or are unable to pay contributions can access a health benefits package.⁶⁸

Regional disparities in healthcare provision

Being able to visit a doctor not too far from one's home is essential for good access to healthcare. According to the OECD, the number of doctors per capita has increased

across all EU countries since 2000, but significant variations between and within member states remain.⁶⁹ As medical personnel tends to cluster in bigger cities or capital regions, remote, rural but also deprived and socio-economically disadvantaged regions or those with poor infrastructure face challenges in providing full healthcare coverage. Factors contributing to challenges in healthcare provision in rural or remote areas include a limited transport infrastructure and longer distances or travel time to see a doctor. The low population density of rural areas also makes it harder to efficiently locate medical specialist services, provide an adequate mix of specialists and general practitioners or around-the-clock medical care.⁷⁰

The example of the Île-de-France region in France shows how regional imbalances are not only limited to rural or remote areas, but can also affect socio-economically disadvantaged metropolitan areas. The most populous of French regions, which also includes Paris, shows a significant disparity in the density of generalist services at local level: While Paris has among the highest density of general practitioners across France, the neighbouring, socio-economically disadvantaged area of Seine-Saint-Denis ranks second-lowest among all French local units (*départements*) measured.⁷¹ Similar disparities are visible with regard to specialists and dentists.

Moreover, as of 2016, 38 percent of doctors in the EU were aged 55 years or above, a proportion that reached as high as 54 percent in Italy. As these doctors approach retirement, this might put additional pressure on areas already facing difficulties in ensuring that their citizens have adequate access to health services.

65 OECD, European Observatory on Health Systems and Policies, 2017, Bulgaria: Country Health Profile 2017, State of Health in the EU, OECD Publishing, Paris, European Observatory on Health Systems and Policies, Brussels.

66 Rita Baeten et al., 2018, Inequalities in access to healthcare, a study of national policies, study prepared for the European Commission, Publications Office of the European Union, Luxembourg.

67 OECD, EU, 2018, Health at a Glance: Europe 2018: State of Health in the EU Cycle, OECD Publishing, Paris.

68 OECD, European Observatory on Health Systems and Policies, 2017, Greece: Country Health Profile 2017, State of Health in the EU, OECD Publishing, Paris, European Observatory on Health Systems and Policies, Brussels; OECD, European Union, 2016, Health at a Glance: Europe 2016, State of Health in the EU Cycle, OECD Publishing, Paris.

69 OECD, EU, 2018, Health at a Glance: Europe 2018: State of Health in the EU Cycle, OECD Publishing, Paris.

70 OECD, 2016, Health Workforce Policies in OECD Countries: Right Jobs, Right Skills, Right Places, OECD Health Policy Studies, OECD Publishing, Paris.

71 Catherine Mangeney, 2018, Les déserts médicaux en Île-de-France. Observatoire régional de santé Île-de-France.

Conclusion

The main question – and title – of this report is: How are you doing, Europe? There is no single answer to this: Whether Europeans are doing better or worse in their daily lives is linked to the country or region they live in, their socio-economic group, and the precise aspect of living and working conditions under examination. With its six closely defined dossiers, this report can only shed light on selected issues of Europe's social fabric. Examples in each of the dossiers emphasize perspectives that we found under-reported and worth highlighting.

Yet there are a number of conclusions we can draw: First, Europe faces common social challenges. All of the six challenges we covered were applicable to more than a few member states. We saw that even in richer EU countries there is ample room to improve social conditions. Second, many challenges seem structural rather than cyclical. Europe has just emerged from a deep crisis and many indicators reflect that recovery. Yet there are many social imbalances that are persistent and concentrated within specific socio-economic groups.

Finally, the key message for policy makers is that we need better social policy in Europe. Several socio-economic groups lack adequate social protection or the opportunity to make use of their potential on the labour market. The question now is: Does the EU need to provide more comprehensive social policy?

Debating Europe's role in social policy brings to the table a whole set of related important questions: Where are common solutions desirable and where should we rather adopt those tailored to national or local conditions? And what are the proper tools to promote European social policy? How much disparity within and among EU member states are

we prepared to accept – and where do we want more convergence in living and working conditions? Is coordination enough or do we need binding rules to promote upward convergence? How much solidarity do we want (and perhaps need) across borders – in good times and bad? Finally, which common public goods should Europe provide in the field of social policy?

Finding answers to these questions will guide our future research. And we hope that they will also be discussed by national and European politicians when they table their visions and ideas for Europe in the upcoming European elections this year.

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