

Developments in inequality and social protection in Europe

Introduction

In 2010, in response to what was arguably a crisis of globalisation, the EU launched the Europe 2020 strategy for growth as a successor to its only partially successful Lisbon strategy (ETUI/ETUC 2009). ‘Inclusive growth’ was one of the three objectives of the new strategy and a stated ‘headline target’ was to lift 20 million people out of poverty in the EU. This goal is consistent with a longstanding objective of European integration, namely to drive upward convergence of living standards among EU citizens.

The main policy tools through which the aforementioned goal was to be pursued were employment, education and training policies, and social protection systems. The notion underlying this policy mix was that to improve people’s chances of finding sufficiently well paid employment by enabling them to acquire the appropriate skills, in conjunction with a labour market that allows individuals to move across jobs and countries and a social protection system that supports income and increased labour market participation, constituted a recipe for success. A further key challenge for the reduction of poverty and social exclusion was the mitigation of health inequalities (European Commission 2010).

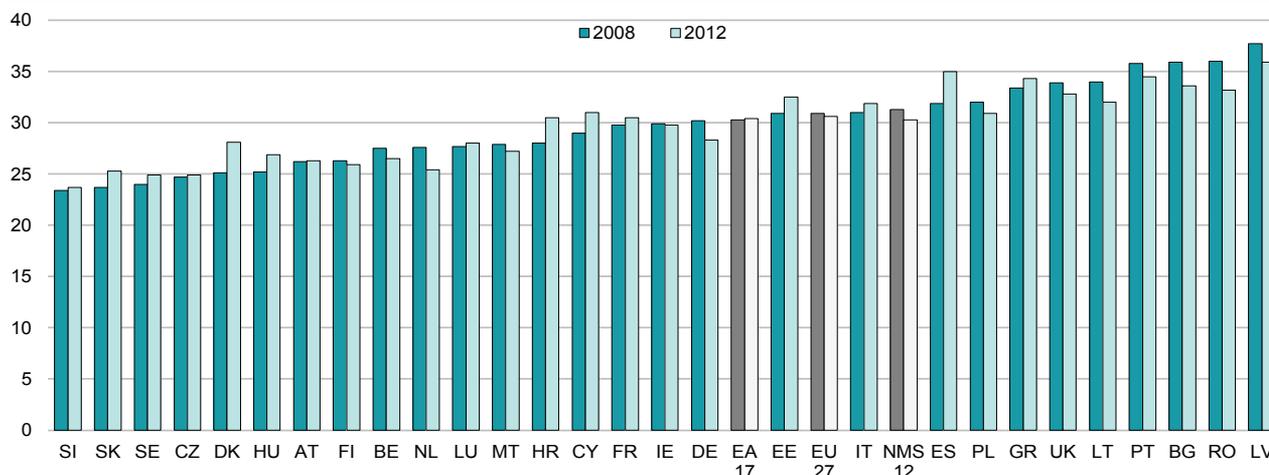
Almost halfway through the decade, Europe is still at the crossroads (see chapters 1 and 2). The adjustment strategies of relentless fiscal austerity and internal devaluation have been putting pressure on the European Social Model(s) (Degryse et al. 2013). This chapter examines developments in inequality and poverty in the EU27 since 2008 and evaluates whether the EU policy responses are likely to reduce inequality and achieve the goal of ‘inclusive growth’.

Topics

> <i>Developments in inequality and poverty</i>	46
> <i>Developments in social protection systems</i>	52
> <i>Looking ahead: halfway through a lost decade?</i>	56
> <i>Conclusions</i>	57

Developments in inequality and poverty

Figure 3.1 Income disparities: the Gini coefficient, EU27, 2008, 2012



Source: Eurostat (2014b).

Income disparities high or rising in crisis countries

The Gini coefficient is an indicator of income disparity. More specifically, it measures the dispersion in disposable (that is, after taxes and benefits have been accounted for) average household income within a country at a given period of time. Its possible values range between 0 and 100: the lower the Gini coefficient, the smaller the income dispersion.

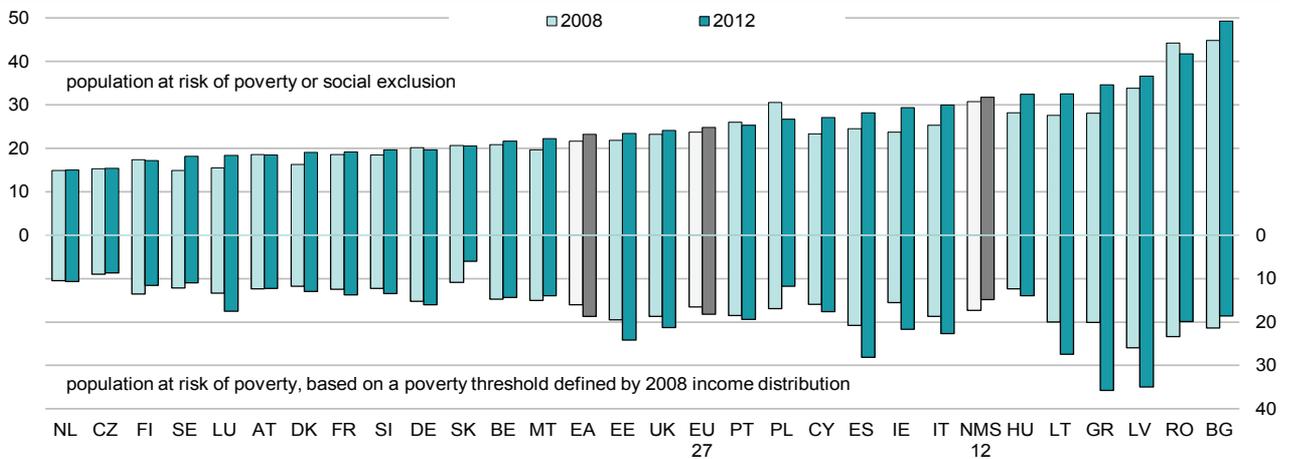
Figure 3.1 shows that between 2008 and 2012, average income disparity fell slightly in the EU27 and the twelve new member states while increasing marginally on average in the euro area. The biggest increases were observed in Spain, Cyprus, Estonia but also in Denmark. The biggest decreases in disparity were observed in Romania, Bulgaria, Lithuania but also the Netherlands and Germany. Income disparity remained the highest in Latvia, Romania, Bulgaria, Portugal, Lithuania, the UK and Greece and lowest in Slovenia, Slovakia, Sweden, the Czech Republic, Denmark and Hungary.

What is interesting is that in the group of countries at the end of the distribution with the lowest income disparities, we find hardly any member

states that were adversely affected by the sovereign debt/current account/banking crises that have marred the EU and especially the euro area since 2008. In fact, only Ireland and Cyprus had below average income disparities in both 2008 and 2012, whereas all of the member states most severely affected by the crisis – Greece, Portugal, Latvia, the UK and Spain – had above average inequality in terms of income distribution. This observation seems to resonate with the hypothesis that rising income inequalities were one of the driving forces of the crisis of 2008, as the relatively slowly growing incomes at the middle and lower ends of the distribution led private households to demand credit to finance their consumption, credit that the loosely regulated financial sectors were all too keen to provide (see for example Stockhammer 2012).

Developments in inequality and poverty

Figure 3.2 Population at risk of poverty or social exclusion and population at risk of poverty (% of population), 2008, 2012, EU27 member states



Source: Eurostat (2014b).

Poverty on the rise

As figure 3.2 illustrates, in 2012, the share of population at risk of poverty or social exclusion, that is, the share of the EU population either with income below 60 percent of the median average household income or facing severe material deprivation or living in a low work intensity household, stood at 24.8 percent, having risen by 1.1 percentage point (p.p.) or 4.6 percent in relative terms, since the onset of the crisis in 2008. In the euro area, the share was 23.2 percent in 2012, having increased by 1.6 p.p. or 7.4 percent since 2008. This indicator is the one used in the context of the Europe 2020 strategy and does not, for that reason, focus on money-defined poverty alone.

Bulgaria, Romania, Latvia, Greece, Lithuania, Hungary and Italy were the member states with the highest shares of population at risk of poverty or social exclusion in 2012, all ranging from 30 to almost 50 percent, while in Ireland the share was 29.4 percent. All of these countries, bar Romania, saw an increase in the share of their population at risk of poverty or social exclusion between 2008 and 2012. At the other end of the distribution, the Netherlands, the Czech Republic and Finland had the lowest at-risk-of-poverty-rates in 2012, ranging between 15 percent (the Czech Republic) and

17.2 percent (Austria). By far the largest increase between 2008 and 2012 in the share of population at risk of poverty or social exclusion was observed in Greece (6.5 p.p.), followed by Ireland (5.7 p.p.) and Lithuania (4.9 p.p.), while Romania, the member state with the second highest poverty rate in 2008 and 2012, registered the second greatest reduction in its rate, amounting to 2.5 p.p. (5.7 percent in relative terms).

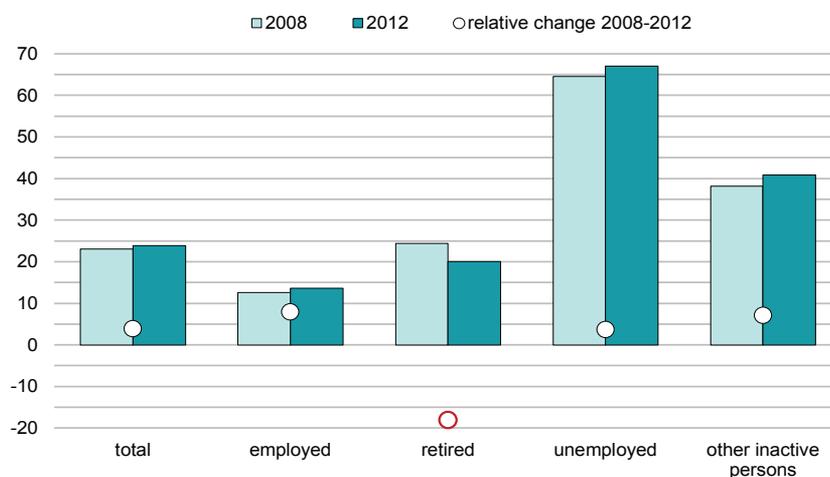
However, given the devastating effects of the crisis on several member states' output (see chapter 1) and, thereby, on the level of income that defines the poverty threshold, it would be useful, in order to gain a more accurate sense of how the risk of poverty has evolved, to consider an indicator that uses 2008 incomes to define the poverty threshold (see lower part of figure 3.2). If we consider the risk-of-poverty indicator calculated on what would have been the median average household income in 2008, before the crisis started, the picture becomes more dramatic. In the EU27 the share of population at risk of poverty had risen in 2012 by an average of 10 percent (1.7 p.p.) and in the euro area by 17 percent (2.7 p.p.) (Eurostat 2014b). On the basis of the same indicator, the ranking of countries whose population faced the highest risks changes somewhat. Thus, in 2012, above-EU27-average risk was faced by populations in Ireland, Greece, Spain, Italy and Portugal, Romania, the

United Kingdom and the Baltics. With the addition of Luxembourg and the exceptions of Portugal and Romania, these member states also saw the largest relative increases in risk of poverty, when anchored to 2008 incomes. Most of these countries had found themselves in the eye of the crisis storm since 2008. Sweden, on the other hand, a country whose poverty risk appeared to have relatively increased since 2008, registered a reduction of 1.2 p.p. or 9.8 percent in relative terms.

These figures suggest, therefore, that the crisis has had proportionately stronger effects on poverty in most of the member states that were hardest-hit by it.

Developments in inequality and poverty

Figure 3.3 Population at risk of poverty or social exclusion by main activity status, EU27, 2008, 2012 (%)



Source: Own calculations based on data from Eurostat (2014b).

Converging poverty risk by activity status

The risk of poverty or social exclusion facing different segments of the population depending on their activity status has varied widely, as has the relative change in this risk across different categories of population between 2008 and 2012 (see figure 3.3). Given that employment has been a key factor for helping households escape poverty, it would seem reasonable to expect that employed people would be less adversely affected by the risk of poverty or social exclusion than those who are unemployed or inactive.

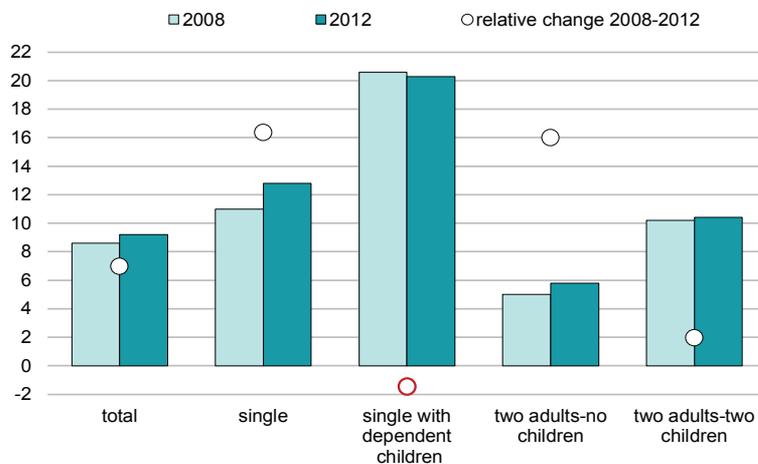
In 2012, those over 18 years old who were either employed or retired indeed faced a much lower risk than those who were unemployed or otherwise inactive. On average in the EU27 in 2012, the share of the employed population at risk of poverty or social exclusion was 13.6 percent, almost 40 percent less than the risk for the total population aged over 18 years. The share of those retired facing the same risks was 20 percent, almost 20 percent less than the risks facing the general population over 18. On the other hand, two out of three unemployed and three out of five otherwise inactive persons were at

risk of poverty or social exclusion in the EU27 in 2012, respectively almost three times and almost twice as much as the risk for the population at large.

Interestingly, however, the share of employed persons at risk of poverty or social exclusion in the EU27 rose relatively more (11.4 percent) than all other categories between 2008 and 2012, and twice as much as the share of the general population over 18 facing the risk of poverty or social exclusion; the share of retired persons, meanwhile, fell. The share of unemployed people at risk of poverty or social exclusion increased by 4.7 percent in the EU27 between 2008 and 2012 and by a further 4.2 percent between 2010 and 2012. It can thus be seen that the risk of poverty among people who are employed had risen by relatively more than the risk among the unemployed since the crisis started. Given that the share of retired people at risk of poverty has slightly decreased, this suggests further that the effectiveness of employment as an antidote against poverty has somewhat lessened since 2008. Labour market inactivity (other than retirement), on the other hand, was associated with a relatively higher increase, compared with unemployment, in the risk of poverty or exclusion (7.1 percent) between 2008 and 2012.

Developments in inequality and poverty

Figure 3.4 People in work at risk of poverty by household type, EU27, 2008, 2012 (%)



Source: Own calculations based on data from Eurostat (2014b).

Rising in-work poverty risk for those without children

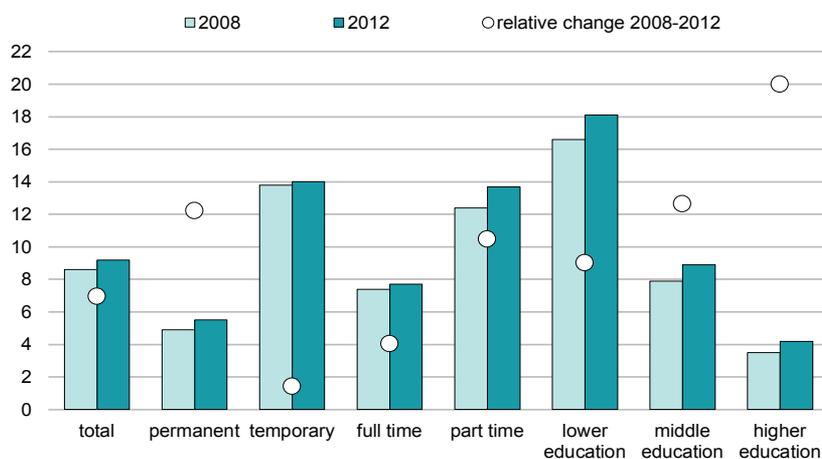
The in-work risk of poverty measures the incidence of what is commonly called 'working poor'. The measure is defined as the share of population in employment whose household income falls below 60 percent of the median average household income. This indicator combines individual activity characteristics (income from labour) with a measure of income that is calculated at the household level (the poverty line). For this reason, interpretation of its evolution over time and across countries cannot unequivocally point to the causes of this evolution, which could be developments in the labour market, the structure of households, social and fiscal policies or some combination of these factors (Pontieux 2010: 28). To counter this difficulty, the data presented here refer to the EU27 average for different categories of individuals and households. The implicit assumption is that across the EU and over the course of a relatively short period of five years, household structures did not change substantially and that any changes cancelled

each other out on average, so that the question is whether we can observe any indications of shifts in the in-work poverty rate that may suggest labour market, social and fiscal policy changes.

Among the different types of household, those living as single parents with children faced the highest risk of in-work poverty in both 2008 and 2012 (see figure 3.4). However, the in-work risk of poverty for those households had decreased slightly in 2012 relative to 2008, while it had increased slightly for households with two parents and two children. It had increased substantially, on the contrary, for households consisting of single people and those consisting of two adults without children. To the extent that such households are more likely to consist of relatively young people, these developments would seem to underline the deterioration in labour market prospects and outcomes for young and prime-age working people, still in the relatively early stages of their careers.

Developments in inequality and poverty

Figure 3.5 In-work poverty by type of employment contract, working time arrangement and educational qualifications, EU27, 2008, 2012 (%)



Source: Own calculations based on data from Eurostat (2014b).

Converging in-work poverty risk across types of contract and qualification levels

In terms of employment arrangements and educational qualification levels, Figure 3.5 shows that the highest risk of in-work poverty in both 2008 and 2012 was faced by persons temporarily employed, part-time employed, and those with lower qualifications.

Among the different types of employment contract and working-time arrangement, the share of 'employed at-risk-of-poverty' increased relatively more among those employed in permanent jobs and those working part-time. In 2012 the share of those at risk of poverty among employees on temporary contract was more than twice as high as among those with permanent contracts. However, the relative increase in the poverty rate between 2008 and 2012 was much higher (12.2 percent) among the permanently employed than among the temporarily employed (7.9 percent). A variety of non-mutually exclusive reasons may explain this development. Many people

on temporary contracts were most likely the first to be fired, as jobs have been destroyed, and thus stopped facing any 'in-work' poverty risk. The income of employees with permanent contracts may have fallen because of a slowdown in wage growth as a consequence of high and rising unemployment and because of higher labour tax rates as a consequence of fiscal austerity. Last but not least, unemployment increases are likely to have adversely impacted on household incomes where one earner has lost his/her job. What is more, the relatively high increase in the in-work risk of poverty of those employed part-time and the increase in part-time jobs is consonant with the increase of in-work poverty risk among employed people.

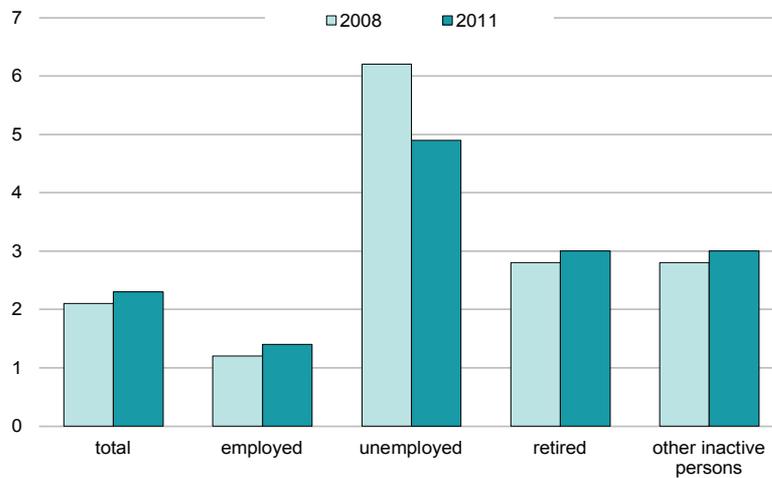
People with low educational attainment faced the highest in-work risk of poverty both at the beginning of the crisis in 2008 and still in 2012. On average in the EU27, people with pre-primary, primary and lower-secondary education faced four to five times higher in-work risk of poverty than those with first- and second-stage tertiary education and about twice as high a risk of in-work poverty as those with upper-secondary and post-secondary non-tertiary education. Other things being equal, higher educational attainment has thus been associated with a lower in-work risk of poverty, though this risk did increase across groups of educational attainment between 2008 and 2012.

In other words, and assuming no substantial changes in the structure of households, the strength of this association weakened between 2008 and 2012. During the same period, the in-work risk of poverty for those with highest educational attainment rose by 20 percent, more than twice as much as the relative increase in the in-work risk of poverty among those with the lowest educational attainment (9 percent) and two thirds more than the relative increase of the same risk for those with middle educational qualifications. In other words, since the onset of the crisis, higher formal qualifications have been less effectively shielding people in employment from the risk of poverty.

While the difference in the in-work risk of poverty across groups of population with different levels of qualification is still substantial, this last observation constitutes a development giving cause for concern. Investment in skills has been central to the EU's growth strategies for inclusive growth and for good reason, given the substantial difference in in-work risk of poverty between those with higher and those with lower educational qualifications. However, the consequences of the crisis seem to have been associated with a lower effectiveness of higher skills in shielding people from the in-work risk of poverty, most likely because of developments in the labour market.

Developments in inequality and poverty

Figure 3.6 Unmet healthcare needs due to unaffordable services by labour market status (%)



Source: Eurostat (2014b).

Convergence in poverty risks across contracts, working-time arrangements and skill levels

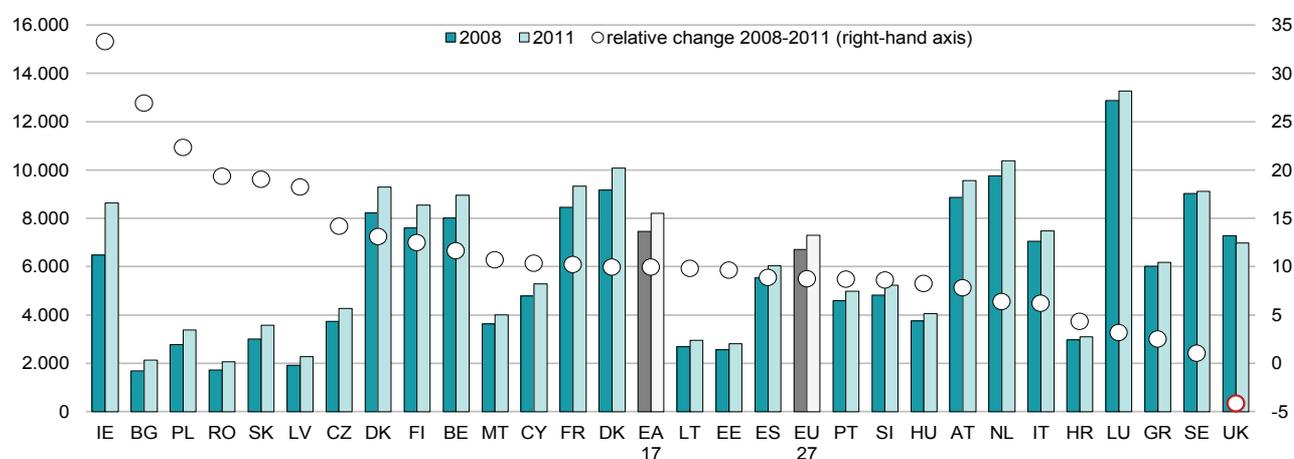
Inequality is manifested not in income alone but also in effective access to public services and social protection. An important case in point is healthcare services. Figure 3.6. above shows the shares of different segments of the population, characterised by their activity status, which reported that they could not access healthcare services because they were too expensive. The share of unemployed people was by far the highest both in 2008 (6.2 percent) and still in 2011 (4.9 percent), although it fell during that period. The respective shares of people reporting that they could not meet their healthcare needs because of services being too expensive rose for all other groups, including the general population (2.3 percent in 2012), employed people (1.4 percent in 2012), retired people (3.0 in 2012) and other inactive people (also 3.0 percent in 2012). The most substantial

relative increase was observed for other inactive people, suggesting that the access to affordable healthcare services for those detached from the labour market became more difficult. Thus, in addition to facing a higher risk of monetary poverty, labour market outsiders have also been facing more limited access to healthcare services due to their cost.

What is also interesting is that the population group which reported the second relatively higher unmet health care needs due to healthcare services being too expensive was, after inactive people, employed people. The share of those employed reporting such unmet needs due to their cost rose by 16.7 percent (or 0.2 p.p.) between 2008 and 2011. We see, therefore, that employed people have been seeing a relative deterioration in their risk of poverty and access to affordable healthcare services since 2008, a development that is very likely linked to labour market developments (see chapter 2) but also, if not more importantly, to developments in healthcare that shift more of the costs of these services to individuals and households.

Developments in social protection systems

Figure 3.7 Public social expenditure per inhabitant in PPS, EU27, 2008, 2011



Source: Own calculations based on data from Eurostat (2014a).

Divergence in public social spending per inhabitant

Figure 3.7. shows the evolution of public social spending per inhabitant in PPS terms for the EU27 member states in 2008 and 2011. Public social expenditure per inhabitant rose everywhere except in the United Kingdom, where it fell by 4.5 percent. On average, in both the EU27 and the euro area, this spending increased by 8.8 and 9.9 percent respectively. Behind these averages, there was, however, a wide variation. The largest increase took place in Ireland (33.3 percent), while the vast majority of member states with above EU27 average relative increases were new member states and also Germany, Finland, Belgium, France, Denmark and Spain.

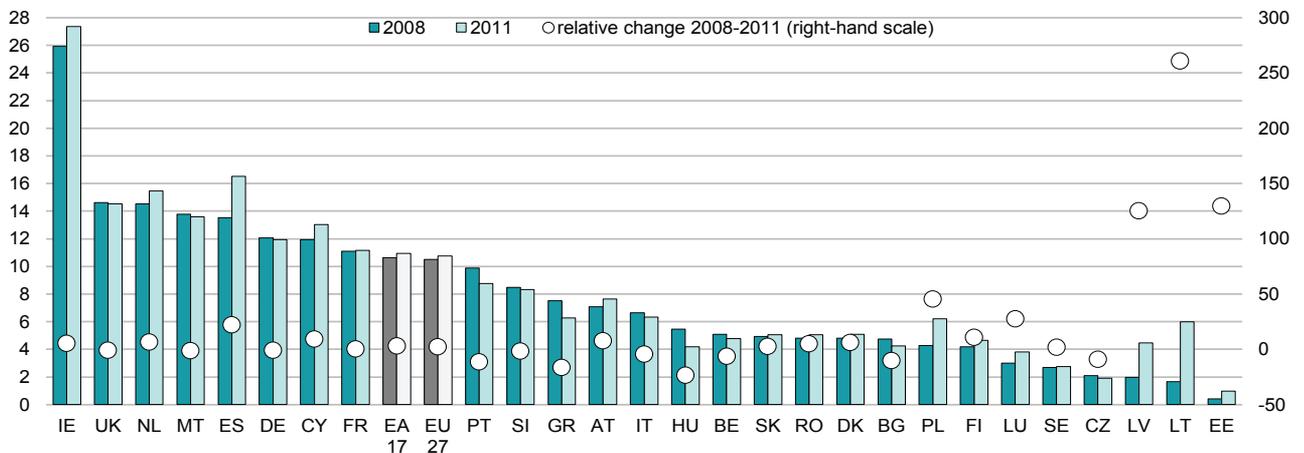
However, these figures do not in themselves provide a clear picture of whether there has been a retrenchment in social protection spending. This is because in the face of a double-dip recession – and in fact the greatest recession in the postwar era – it is likely that demand for social protection increased by more than what might be suggested, at

first glance, by these increases in spending per inhabitant. In Greece, for example, not only was public social expenditure per inhabitant relatively low in 2008 and still in 2011 but it also registered the second lowest increase in the EU27 (just slightly more than Sweden), in spite of the massive contraction in Greek output and the increase in unemployment (see chapters 1 and 2).

Although these developments would at first glance suggest some convergence, given that the new member states tend to have relatively lower public social protection spending per inhabitant (Eurostat 2014a), the standard deviation of the values in 2011 was higher than in 2008, suggesting a greater dispersion.

Developments in social protection systems

Figure 3.8 Targeting social protection: Means-tested benefits as % of total social benefits, EU27 member states, 2008, 2011



Source: Own calculations based on data from Eurostat (2014a).

Wide variation in targeting of social benefits

As spending in social protection alone cannot provide an accurate picture of the characteristics of the welfare state, we look also at the extent to which social protection benefits are targeted through means-testing and at whether that targeting has increased since 2008. A higher share of means-tested in total benefits implies, other things being equal, a greater restriction of social benefits to the poor segments of population (Matsaganis 2013) and, thereby, an increasing importance of the poverty alleviation function of social protection as opposed to redistribution and the tackling of inequalities more generally.

Figure 3.8 above shows the evolution of means-tested benefits, that is, of benefits to which entitlement is established on the basis of criteria related to the income and wealth of potential recipients, as a share of total social benefits (cash and in-kind) in the EU27 member states. These data alone do not allow exact identification of the cause of underlying shifts towards or away from means-testing. However, an increase in the value of means-tested benefits as a share of

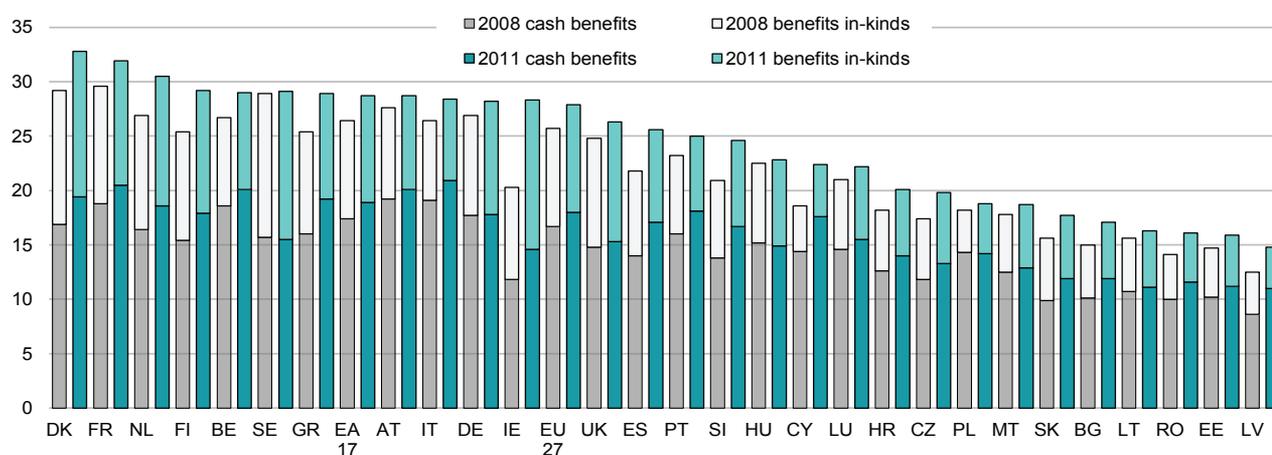
total social benefits may be attributed to two broad reasons. First, an increase in the number of recipients who do not qualify for social insurance benefits, either because they have not contributed enough (e.g. unemployed persons who are also new entrants to the labour market) or because they have exhausted the duration of their social insurance benefit entitlement (e.g. long-term unemployed who start receiving assistance benefits). Secondly, it could signify a shift in policy and more specifically in relation to the eligibility criteria for benefit entitlement away from universalism or needs-testing (e.g. family benefits paid to any family having a certain number of children regardless of income and wealth) and towards means-testing. In practice, an increase in the share of means-tested in total benefits could be caused by a combination of the above factors, all of which are aggravated by the crisis and the policy responses to it and all of which suggest either an expansion in the population segment that qualifies as ‘poor’ or a shift in social policy priorities towards an emphasis on poverty alleviation.

There has been a wide variation in the use of means-tested benefits, with Ireland being the member state that used them by far the most in 2008 and still in 2012, followed by the UK, the Netherlands, Malta and Spain. In Ireland more than 25 percent of total social protection benefits were means-tested. At the

other end of the distribution, in the Baltic states, the Czech Republic, Sweden and Finland, only 5 percent or less of the total social benefits were means-tested in 2008. The three Baltic states demonstrated sizeable increases in the proportion of means-tested benefits, ranging from 4.3 p.p. in Lithuania (261 percent) to 2.5 p.p. (125 percent) in Latvia to 0.6 p.p. (130 percent) in Estonia. Other member states with substantial increases in means-tested benefits between 2008 and 2012 were Poland with 1.9 p.p. (45 percent), Luxembourg with 0.8 p.p. (28 percent), Spain with 3 p.p. (22 percent) and Finland with 0.5 p.p. (11 percent). The proportion of means-tested benefits over total social benefits fell in a few member states, most notably Hungary by 1.3 p.p. (or 23 percent), Greece by 1.2 p.p. (or 16.5 percent), Portugal by 1.1 p.p. (or 11 percent), Bulgaria by 0.5 p.p. (or 10 percent) and the Czech Republic by 0.2 p.p. (or 9 percent).

Developments in social protection systems

Figure 3.9 Composition of spending in social protection: cash and in-kind benefits as % GDP, EU27, 2008, 2011



Source: Eurostat-ESSPROS.

Spending on in-kind benefits increases

Another dimension that delineates the contours of a social protection system is the balance in public social spending between cash and in-kind (that is, either paid as reimbursements or as directly publicly provided goods and services) social benefits. Research evidence suggests that cash benefits can reduce poverty and inequality more than can benefits in kind, although the latter have an additional redistributive impact in the longer run thanks to their role in increasing employment for women (Matsaganis 2013).

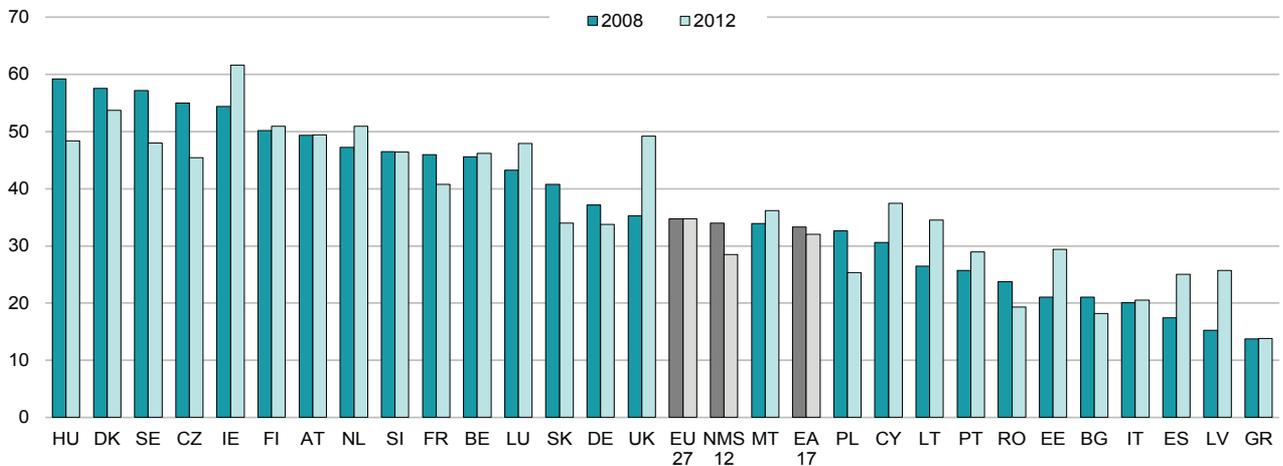
Figure 3.9 above suggests that on average in both the EU27 and the euro area, public social expenditure – as a share of GDP – on in-kind benefits increased by more (10 and 8.9 percent respectively) than public social spending in cash benefits (7.8 and 8.6 percent respectively). Thus, in a short to medium-run it is suggested that redistribution and poverty alleviation are likely to be affected negatively.

The member states which experienced the largest reductions in in-kind social benefits between 2008 and 2011 were Latvia (30.5 percent), Slovakia,

Greece, Portugal, Spain, Bulgaria, Slovenia, Cyprus, Italy and Romania. Most of these countries have had to implement fiscal adjustments either under the pressure of financial markets or in the context of EU/IMF conditionality programmes of financial support to their governments. Given the particular focus of the conditionality adjustment programmes that member states had to implement in exchange for EU-IMF financial assistance on reducing public sector employment, it is likely that any longer-term redistribution effects that the relative increase in in-kind benefits could have through the employment of women may be constrained. Fiscal austerity alone, however, does not necessarily predict the evolution of spending on in-kind social benefits, as Ireland was in fact the country with the highest increase between 2008 and 2011, of 37.4 percent.

Developments in social protection systems

Figure 3.10 Efficiency of social protection systems in alleviating poverty in the EU27 member states, 2008, 2012 (%)



Source: Own calculations using Eurostat-EU-SILC.

Varied efficiency in poverty alleviation

Figure 3.10 shows the evolution of the efficiency of social protection systems in alleviating poverty in the EU27 in 2008 and 2011, measured by the relative change in the share of population at risk of poverty before and after social benefits (excluding pensions). The higher the percentage, the more efficient the social protection system is. On average in the EU27, this efficiency remained stable, although it was reduced in both the euro area and the group of the twelve new member states.

Among member states, there has been a wide variation both in the level of efficiency of social protection systems and in the relative change since the onset of the crisis. Greece stands out as the member state with the social protection system least efficient in alleviating poverty in both 2008 and 2012. This suggests that the problem with public finances there had little if anything to do with the overall size of the country's ill-designed social protection system and that, in principle, there would be substantial scope for tackling the public finances crisis while providing a more adequate social safety net than hitherto (Matsaganis 2011). To support this point,

the majority of member states whose social protection systems had become more efficient in alleviating poverty since 2008 were member states that were particularly hard-hit by the crisis and whose governments were forced or chose to implement tough fiscal austerity policies, namely Ireland, the UK, Lithuania, Portugal, Cyprus, Estonia, Spain and Latvia, as well as the Netherlands, Luxembourg and Finland.

This, of course, does not mean that austerity and the prolonged recession have not been affecting income distribution and social protection systems in an adverse manner, especially in the most affected member states. In fact, we have seen the shares of population at risk of poverty or social exclusion increasing, even in countries where the efficiency of the social protection system in alleviating poverty has improved. Moreover, it should be noted that poverty alleviation is only one of the potentially desirable outcomes of social protection systems and the above figures do not tell us everything about increases in other forms of inequality.

On the other hand, member states whose social protection systems lost in efficiency since 2008 included Hungary, Sweden, the Czech Republic, France and Slovakia. Yet in 2008 all these countries had social protection systems able to boast among the highest or higher than average efficiency. The group of member

states whose social protection systems lost some of their efficiency also includes Romania and Bulgaria, that is member states with among the highest shares of population at risk of poverty or social exclusion.

Conclusions

Halfway through a lost decade for ‘inclusive growth’?

On a European average, income inequality has been on the rise since 2008, and more steeply so since 2010, the year that saw a fairly general policy shift towards fiscal austerity. In particular, the share of people at risk of poverty and social exclusion has increased in some – but not all – of the member states that, having been most adversely affected by the crisis, have had to pursue the most far-reaching austerity policies. These countries include Greece, Ireland, Spain and Italy. The EU policies cannot, however, account for all cases of increasing shares of population at risk of poverty, for among the countries displaying the highest increases in this indicator we also find more prosperous member states such as Sweden, Luxembourg and Denmark.

Unemployment, low skills, relatively few hours of work and temporary employment contracts remain more strongly associated with a risk of in-work poverty in the EU27. The same applies to people living in single-parent households. However, since 2008, the largest relative increases in the in-work risk of poverty were registered among employees with permanent contracts, and those with high and medium skills. In a similar vein, employed people experienced the highest relative increase in risk of poverty since 2008 compared to unemployed people. This suggests that the fight to reduce unemployment, alongside the creation of high quality jobs (characterised, that is, by permanent contracts and the absence of involuntary part-time), is key to reducing the risk of poverty. At the same time, rather worryingly for a policy strategy of ‘active inclusion’ and with an emphasis on education and skills, recent developments in the labour markets in the wake of the crisis have resulted in a weakening of the extent to which employment and education serve as effective shields from poverty.

Turning to social protection systems, there are indications of a roll-back

in public social spending and of a divergence in the level of such spending across the EU. On average in the EU27 and the euro area, public social expenditure per inhabitant was increasing between 2008 and 2011, although the rate of this increase slowed dramatically after 2010 which is also when the shift towards austerity policies took place, especially in the member states most hard-hit by crisis. In general, there were no dramatic shifts in the targeting of benefits through means-testing, although in some notable cases – such as the Baltic states, Spain, Ireland and Poland – the share of means-tested in total social benefits increased substantially, signalling perhaps that benefits are being now aimed more at poverty alleviation than at redistribution and the creation of equal opportunities. There has also been a general shift from cash benefits to benefits in kind, another development suggestive of a potential weakening of the capacity of social protection systems to reduce inequality and poverty in the EU, while the rise in the share of people declaring unmet health-care needs due to unaffordable services, especially among the employed population, is yet another pointer to a roll-back of social protection.

Generally speaking, the efficiency of social protection systems in alleviating poverty was reduced after 2008 in member states that either had relatively low poverty rates or that had been little affected by the crisis (exceptions here being Bulgaria and Romania). In several of the ‘crisis’ countries, meanwhile, the efficiency of these systems increased, an observation which – given the large increases in the need for social protection – would seem to point to the invaluable role played by social protection systems in alleviating poverty. And yet, in spite of the ongoing crisis and its devastating and increasingly widening consequences for the labour markets, further cuts in social spending are on the agenda, in the context of new economic governance, in the majority of member states. Considering the social consequences of the crisis so far and the fragility of macroeconomic conditions, these plans will most certainly put paid to the Europe 2020 ambition of inclusive growth. They are likely,

indeed, to stand in the way of any sort of growth, let alone convergence towards higher living standards, in the foreseeable future.