

Developments in social indicators

Introduction

Social cohesion and convergence have been objectives of the European Union since its creation as the European Economic Community in 1957. While convergence characterised earlier periods up to 2008, especially for the Member States that gradually joined the EU from the 1970s onwards, more recently this process has stalled in certain parts of the EU. What is more, the trust of citizens in the capacity of the EU to foster upwards social convergence has been shaken during the recent crisis, not least due to the consequences of misguided policy responses.

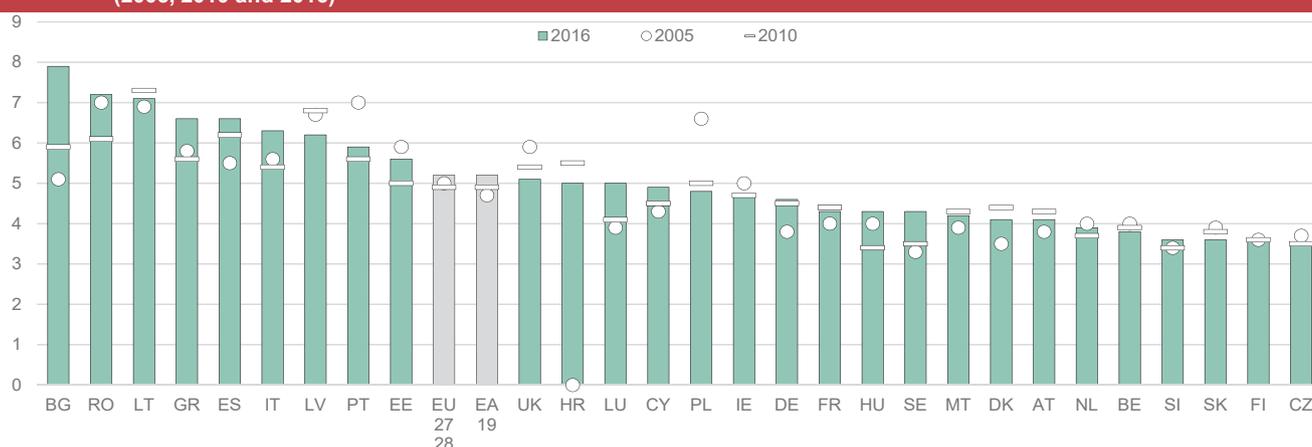
The current European Commission has pledged to win a ‘triple social A’ for Europe (Juncker 2014). The most recent initiative has been the launch of the European Pillar of Social Rights, which provides a compass for establishing common minimum social standards (European Parliament et al. 2017). Along with the Pillar has been the launch of a Social Scoreboard, aimed at guiding policy recommendations to Member States in the context of the European Semester.

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Income inequality

Figure 3.1 Inequality of income distribution (income quintile share ratio) (EU27/28, EA19 and Member States) (2005, 2010 and 2016)



Source: Eurostat EU SILC database (ilc_di11 series).

Note: Data for Bulgaria are for 2006 instead of 2005; data for Romania are for 2008 instead of 2005; data for Ireland are for 2013 instead of 2016; EU27 data are for 2005, EU 28 after 2010.

Increasing income inequality

The income quintile (or S80/S20) ratio calculates the ratio of total income received by the 20% (or quintile) of the population with the highest income to that received by the 20% (or quintile) with the lowest income. The higher the income quintile ratio, the higher income inequality is. The EU/EA figures reflect the average of the national S80/S20 ratios, weighted by population size and not the ratio of the top to bottom quintile shares in the EU/EA, which can be expected to be higher, as it would be when also taking into account differences in income distribution between countries.

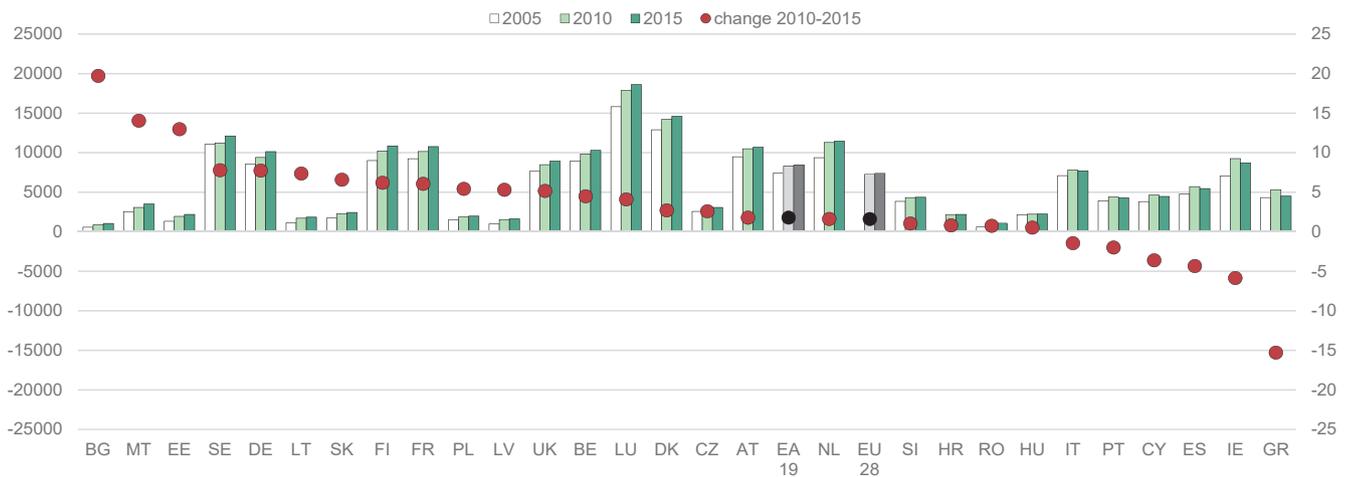
The inequality of income distribution in the EU28 (EU27 for 2005, for which there is no data available for Croatia) has increased since 2005, and after 2010 the richest 20% of the population earned at least five times more than the poorest 20% (see Figure 3.1). Income inequality rose more in the EA19 than it did in the EU28 between 2005 and 2016. There have been large variations across countries (see Figure 3.1). In Czechia, Slovakia, Slovenia, Finland and Belgium the income quintile ratio in 2016 was 3.5-3.6 whereas in Bulgaria it was 7.9, in

Romania 7.2 and in Lithuania 7.1. What is interesting is that in the EA19, on average, the S80/S20 ratio remained stable during the early years of the crisis (2008-9) and started increasing from 2010 onwards, when there was a shift in EU/EA policies towards fiscal austerity. The indicator has not changed since 2014.

There is evidence of non-negligible increases in income inequality between 2005 and 2016 in specific Member States, such as Bulgaria, Sweden and Luxembourg, among others, and between 2010 and 2016, income inequality also rose substantially in Italy, Greece, Hungary and Romania. By contrast, between 2005 and 2016, income inequality declined in Poland. The coefficient of variation (based on the EU27/28 weighted average) suggests that while divergence in income inequality within the EU28 was lower in 2013 compared to 2005 (21.6 vs. 25%), it increased from 2013 to 2016 (23.7%).

Social protection policies

Figure 3.2 Public social expenditure (euros per inhabitant) and change 2010-2015 (% , right-hand axis) in the EU28, EA19 and Member States (2005, 2010, 2015)



Source: Own calculations using Eurostat data (spr_exp_sum).

Diverse developments in social protection spending

Public social expenditure (at 2010 prices) per inhabitant was higher in 2015 compared to 2005 in all Member States (no 2005 data available for Croatia). However, the evolution of social expenditure per inhabitant differed between the 2005-2010 and 2010-2015 periods. While it increased everywhere between 2005 and 2010, between 2010 and 2015 it fell in Ireland and in all the southern countries (Italy, Greece, Spain, Portugal and Cyprus). All of these countries had to receive direct (Greece, Ireland, Portugal, Spain, Cyprus) or indirect (Italy) financial support for their governments or their banks in exchange for tough economic adjustment programmes of fiscal austerity and structural reforms. Wherever social expenditure per inhabitant increased between 2010 and 2015, the increase was smaller than between 2005 and 2010, with the exception of Sweden.

By far the biggest increases in social expenditure per head in the period 2005-2015 were in the new Member States, with the exception of Hungary, which with

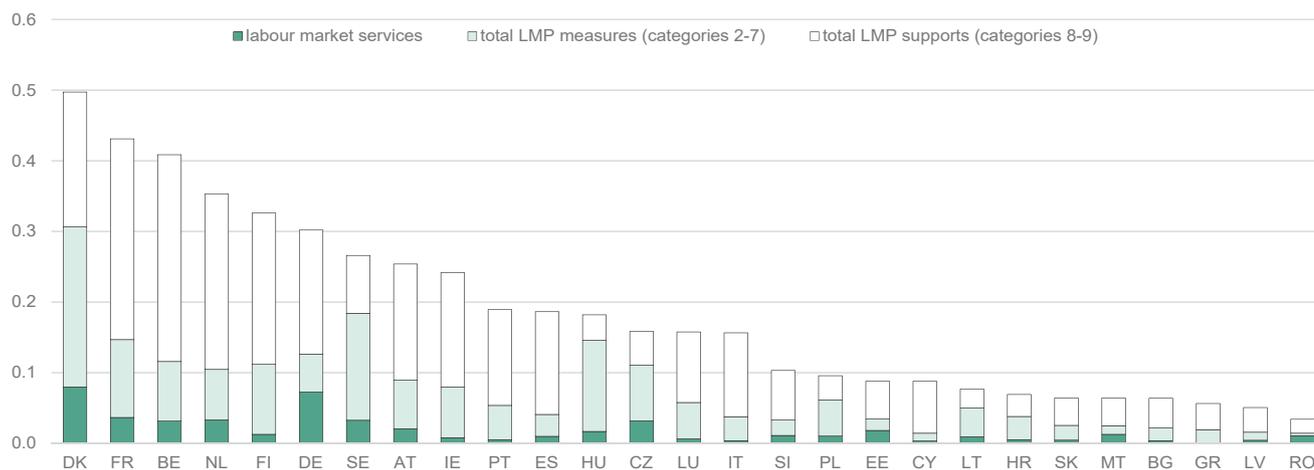
4.1% had the lowest increase among all Member States, and Slovenia, where the increase of 13.6% was below average. The biggest increases (over 80%) were seen in Bulgaria and Romania, two of the Member States with the lowest social spending per inhabitant, followed by all three Baltic states, where increases were around 65%, and Slovakia, Malta and Poland, with increases between 30 and 40%. Interestingly, several of these newer Member States were also hit hard by the financial crisis of 2008-2009 and had to receive financial support that was conditional on them pursuing tough economic adjustment programmes, such as Latvia and Romania. However, these countries did at least fare better than their southern European counterparts.

During the 2010-2015 period, when consolidation of public budget deficits took place in most of Europe in the middle of economic stagnation/recession, social protection spending per inhabitant fell or was virtually stagnant (that is, smaller or equal to 0.5%) in seven Member States, Greece, Ireland, Spain, Cyprus, Portugal, Italy and Hungary, while Romania, Croatia and Slovenia also saw below EU28 average increases in their public social spending per inhabitant. Incidentally, most of these countries, with the exception of Ireland and Hungary, belong to the southern sub-groups of the EU15 and EU13 groups, whose real GDP per capita was also negative or relatively weak.

Overall, within the entire group of Member States there appears to have been divergence in social expenditure per inhabitant between 2010 and 2015 (the coefficient of variation, using the weighted average for the EU28, increased). However, a closer look reveals that this was due to the reductions taking place predominantly in the south of the EU.

Labour market policies

Figure 3.3 Public expenditure on labour market policies per person wanting to work as a share of GDP per head (all in PPS, %) (EU Member States) (2015)



Source: Own calculations using data from European Commission-DG Employment and Eurostat (nama_10_pc).

Disparities in labour market policy expenditure

Figure 3.3 shows the public expenditure on labour market policies per person wanting to work as a share of the GDP per head in 2015, the year for which there are European Commission data available for all but a couple of countries. Both the expenditure and GDP per capita figures are expressed in a unit of measurement (purchasing power standard, PPS) that allows meaningful comparisons across different countries. A distinction is made between three types of public policy intervention: labour market services, labour market policy measures (that is, active labour market policies, ALMPs) and labour market supports (that is, income support received when not working). On average in the EU28, public expenditure on unemployment represented about 5% of total public social expenditure in 2014 (Eurostat data).

In 2015, there were huge disparities across the EU in the level of total expenditure dedicated to each person wanting to work. Figure 3.3 shows that there was a clear divide between north-west European countries, which, with

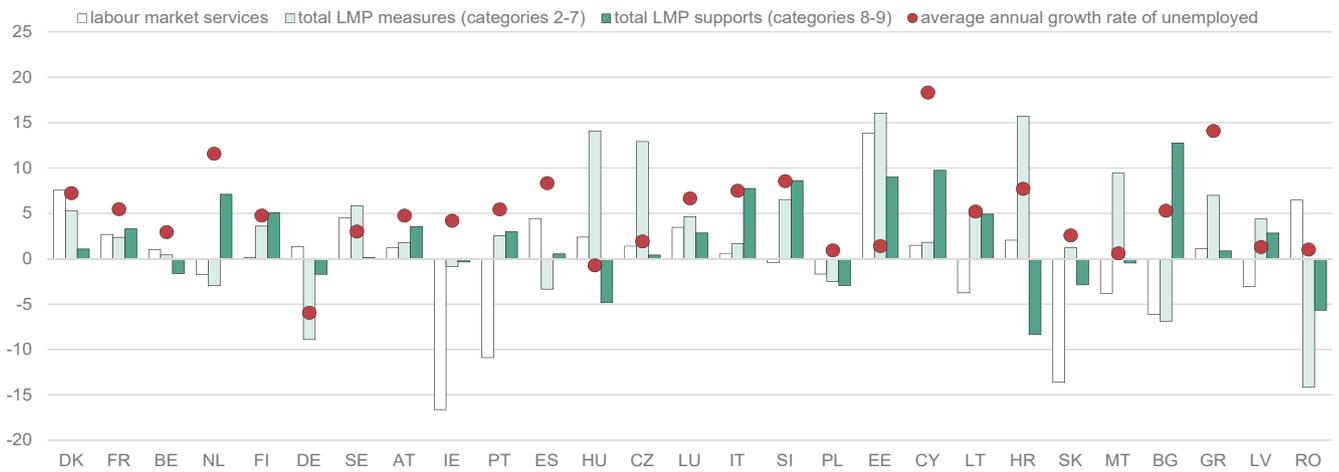
the exception of Ireland, Denmark and the Netherlands have not been or have been far less severely affected by the crisis in terms of unemployment, and southern and central-eastern Europe. In 2015, Denmark dedicated almost 0.5% of its GDP per capita to labour market policy measures, almost 13 times more than the respective share in Romania (0.04%). Other relatively high spenders included France (0.43%), Belgium (0.39%), the Netherlands (0.35%), Finland (0.34%) and Germany (0.3%). Interestingly, Sweden, once a role model for its high public spending on labour market policies, ranked below all these countries to end up on a par with Austria at 0.27%, and close to Ireland (0.26%). At the other end of the spectrum, we find Romania, Latvia, Greece and Malta with 0.06%, Slovakia and Croatia with 0.07%, and Lithuania and Cyprus with 0.09%. There were still large parts of Europe where spending on persons wanting to work was clearly insufficient.

In 2015, labour market policy supports (that is, income support benefits such as unemployment and early retirement benefits) still made up the largest part of public expenditure on labour market policies in most Member States, with the exceptions of Denmark, Sweden, Hungary, Czechia, Poland, Lithuania and Croatia, all of which dedicated relatively larger proportions to labour market policy measures (ALMPs). By

contrast, labour market services everywhere received the smallest share of public expenditure on labour market policies. The highest of these shares were in Denmark and Germany.

Labour market policies

Figure 3.4 Average annual growth rate in public expenditure in labour market policies by type, and in numbers of unemployed, EU Member States (2008-2015)



Source: Own calculations using data from European Commission-DG Employment and Eurostat LFS(lfsa_ugan series).

Some drift in labour market policies

Figure 3.4 shows the average annual growth rate of public expenditure on labour market policies – labour market services, labour market policy measures (ALMPs) and labour market policy supports (income replacement) – as a share of GDP in the 2008-2015 period and compares it to the average annual growth rate in the number of unemployed people in each country. Slower average annual growth in policy expenditure as a share of GDP than in the number of unemployed can be taken as an indication of policy resources not moving in line with needs, often called ‘policy drift’.

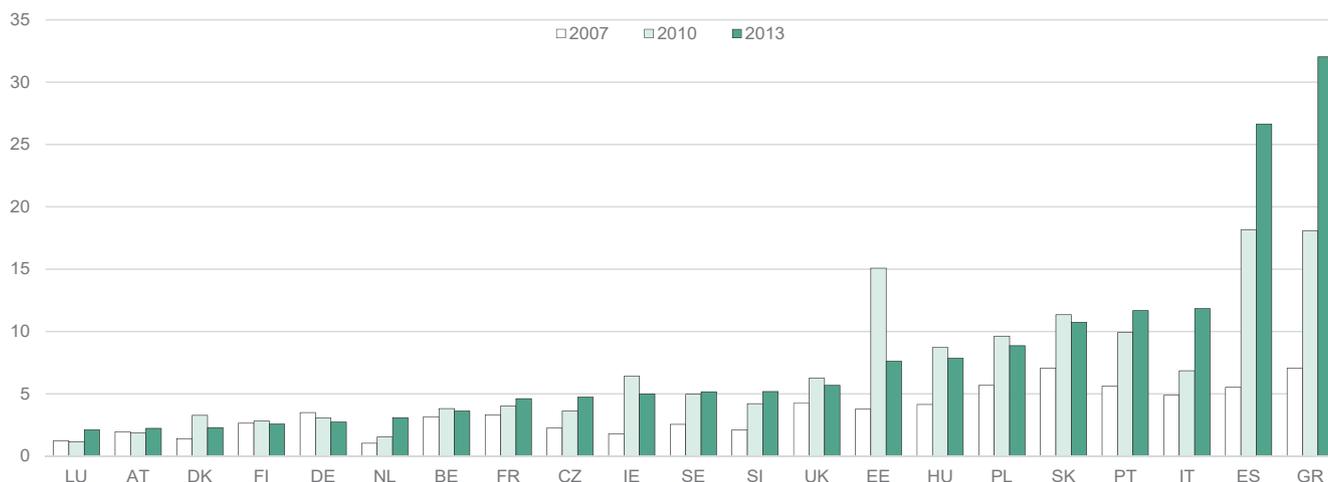
Among the three types of labour market policy examined here, expenditure as a share of GDP declined the most for labour market services, with the biggest cuts (over 10%) observed in Ireland, Portugal and Slovakia. The biggest increases were seen in active labour market policies (labour market policy supports) in several CEE Member States, which, as shown in Figure 3.3, have been relatively low spenders on labour market policies: most notably Hungary, Czechia,

Estonia and Croatia, although Malta, Greece and Latvia can also be included in this group. Relatively high increases were also seen in the three Scandinavian countries, which have traditionally dedicated high amounts of public resources to active labour market policies.

Public spending on labour market policies in all three policy areas grew more slowly than the numbers of unemployed in 12 Member States between 2008 and 2015, notably in France, Belgium, the Netherlands, Ireland, Portugal, Spain, Cyprus, Slovakia and Greece. Many of these countries saw large increases in unemployment during this period.

Labour market insecurity

Figure 3.5 Labour market insecurity (expected earnings loss due to unemployment as percentage of previous earnings), OECD-EU Member States (2007, 2010, 2013)



Source: OECD Job Quality database.

Drifting into labour market insecurity

Labour market insecurity is an OECD indicator measuring the expected income loss associated with unemployment (2014: 87). It is measured as the uninsured average expected earnings loss associated with unemployment as a share of previous earnings (OECD 2014, 103). The labour market security indicator consists of two sub-indicators, namely the risk of becoming unemployed and its expected cost in terms of previous income, measured by the ‘effective unemployment insurance’.

The available data on this indicator run only from 2007 to 2013 and cover the large majority but not all EU Member States who are OECD members. In the vast majority of the 21 countries examined, labour market insecurity was higher in 2013 than it was in 2007. The only exceptions were Finland and Germany, where labour market insecurity decreased by 3 and 22%, respectively, while Austria and Belgium saw the smallest increases (at 14%). The largest increases in labour market insecurity between 2007 and 2013 were observed in

Greece, Spain, the Netherlands, Ireland, Slovenia, Italy, Czechia, Portugal and Sweden. The unweighted average labour market insecurity for the group more than doubled between 2007 and 2013 but there was also substantial divergence between these countries (measured by the coefficient of variation based on an unweighted average, which increased from 52 to 98%).

Interestingly, the largest increases in labour market insecurity occurred between 2007 and 2009: the large output losses suffered by many Member States as a result of the global financial crisis apparently had a significant effect on the risk of becoming unemployed. During the 2007-2009 period, labour market insecurity increased even in Germany and Finland, whereas Greece, which experienced the largest increase in insecurity between 2007 and 2013, only had a middle-of-the-range-increase in 2007-2009.

Labour market insecurity

Figure 3.6 Unemployment risk (% of time) and effective unemployment insurance (% of previous earnings), OECD-EU Member States (2007, 2010, 2013)



Source: OECD Job Quality database.

Unemployment risk and insurance

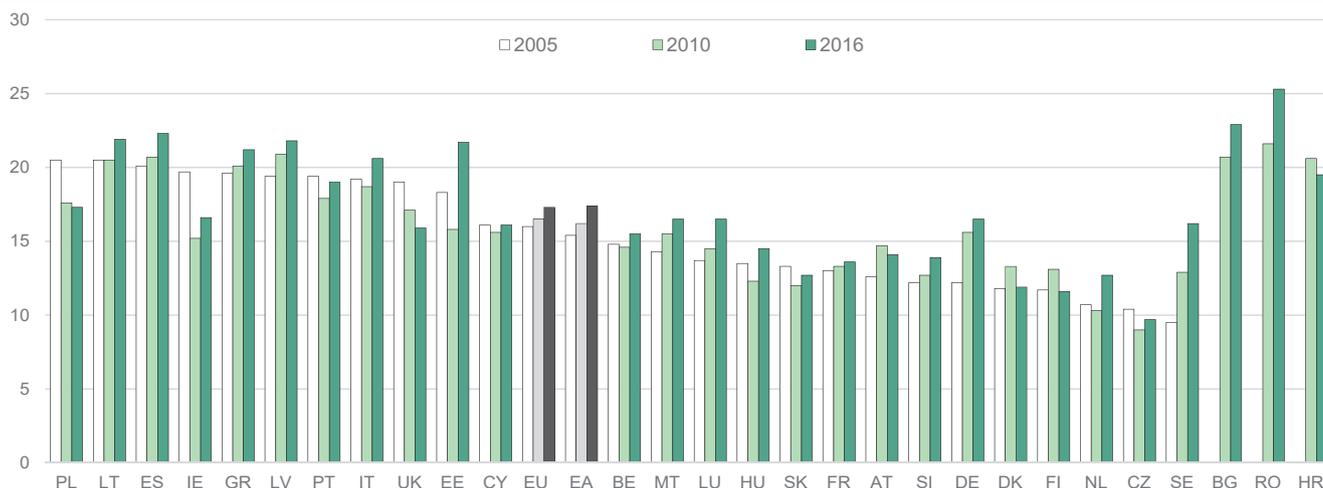
Turning to the two sub-indicators which make up the labour market insecurity indicator, the risk of becoming unemployed is calculated by the monthly rate at which people become newly unemployed and the expected average duration of unemployment, measured as the expected share of the year that an average person is expected to spend in unemployment (OECD 2014, 80). Effective unemployment insurance combines the coverage of unemployment insurance and assistance recipients and the net replacement rates of benefits, including family, social assistance and housing benefits, and is measured as the percentage of previous earnings that is lost due to unemployment.

Higher unemployment risk seems to have been the main driver of the increase in labour market insecurity between 2007 and 2013. The unweighted average of unemployment risk quadrupled during the 2007-2013 period. Again, there was accelerating divergence in unemployment risk within the group of countries, with the coefficient of variation more than doubling between 2007 and 2013, from 32 to 67%.

In 9 out of the 21 countries, effective unemployment insurance was lower in 2013 than it was in 2007. If we compare 2010 with 2013, then effective unemployment insurance was lower in 2013 than in 2010 in 13 countries. The unweighted average of effective unemployment insurance decreased between 2007 and 2013, while divergence within the group of countries considered here increased, although less dramatically than in the case of the unemployment risk, with the coefficient of variation increasing from 42 to 48%. What is interesting, however, is that effective unemployment insurance rose on average between 2007 and 2009 and that there was convergence. However, from 2010 to 2013, effective unemployment insurance fell on average and there was divergence, an indication that fiscal austerity had uneven effects across countries and that despite calls for flexibility as a principle for labour market reform, in practice, labour market policies have been delivering far more flexibility than security.

Poverty and social exclusion

Figure 3.7 At-risk-of-poverty rate (% of population) in EU, euro area and Member States (2005, 2010, 2016)



Source: EU-SILC database (ilc_li02 series).

Monetary poverty on the rise

The at-risk-of-poverty (AROP) rate shows the share of population living in households with equivalised disposable income (after taxes have been paid and benefits received) that is lower than 60% of the median equivalised household income. The equivalised disposable income of a household is the income available for spending or saving divided by the number of household members, converted in this calculation into ‘equivalised adults’. People ‘at risk of poverty’ are not necessarily poor in the sense of lacking the necessary resources for material wellbeing such as food, housing, and other assets. Much also depends on the level of the median income in a country. Therefore, the AROP rate is more a measure of inequality at the low end of income distribution (Darvas 2017).

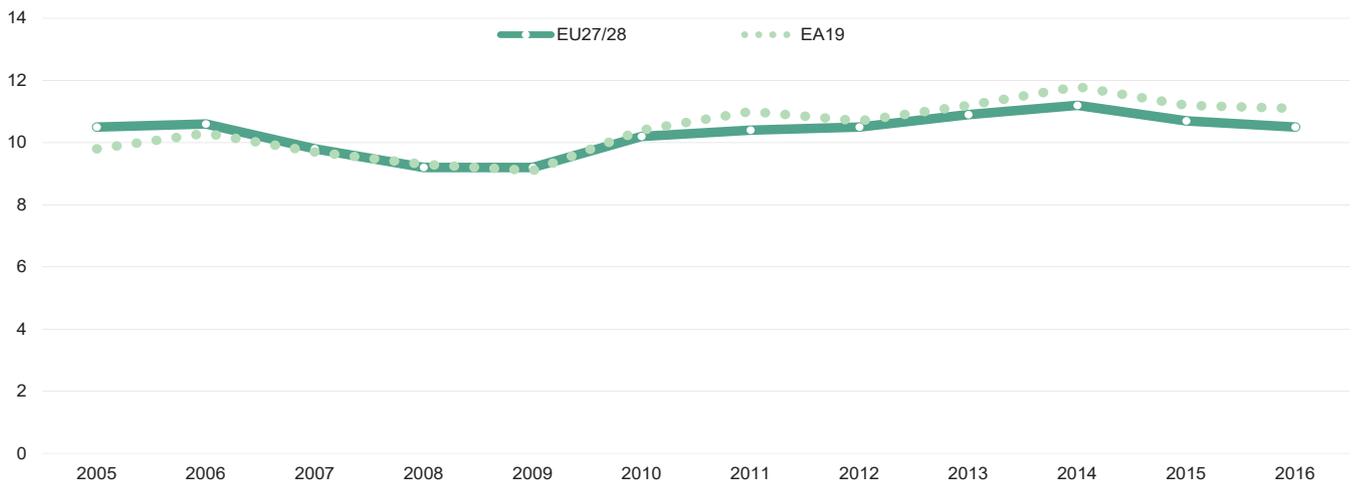
The AROP rate is one of the three components of the at-risk-of-poverty or social exclusion headline target of the Europe 2020 strategy, the other two being the share of people living in low-work-intensity households and the share of people living in severely materially deprived households (for more on which see further below). The AROP rate has

also been included in the Social Scoreboard (European Commission 2017). Given that progress in one of these indicators does not necessarily imply progress in the other two, we examine them here separately.

The AROP rate was on average higher in 2016 in both the EU and the euro area, at 17.3% and 17.4 %, respectively, than it was in 2005 when it was 16% and 15.4%. It therefore followed a similar evolution to the broader income inequality measure discussed under Figures 3.1 and 3.2. The AROP rate also rose in all but a handful of Member States between 2005 and 2016. The greatest increases took place in Sweden (70.4%) and Germany (35.2%), while the largest relative decreases were recorded in Poland (-15.6%), the UK (-16.3%) and Ireland (-15.4%).

Poverty and social exclusion

Figure 3.8 Share of persons under 60 years old (%) living in low-work-intensity households in the EU27/28 and EA19 (2005-2016)



Source: EU-SILC (ilc_lvhl11 series); EU27 data until 2009, EU 28 after 2010.

Figure 3.9 Share of persons under 60 years old (%) living in low-work-intensity households in EU, euro area and Member States (2005, 2010, 2016)



Source: EU-SILC (ilc_lvhl11 series).

Share of persons living in low-work-intensity households

This indicator shows the number of persons (as a share of the persons aged under 60) living in a household where

the members of working age worked less than 20% of their total potential during the previous 12 months. For the purposes of this indicator, ‘members of working age’ exclude people aged 60 and over and students aged 18-24 years.

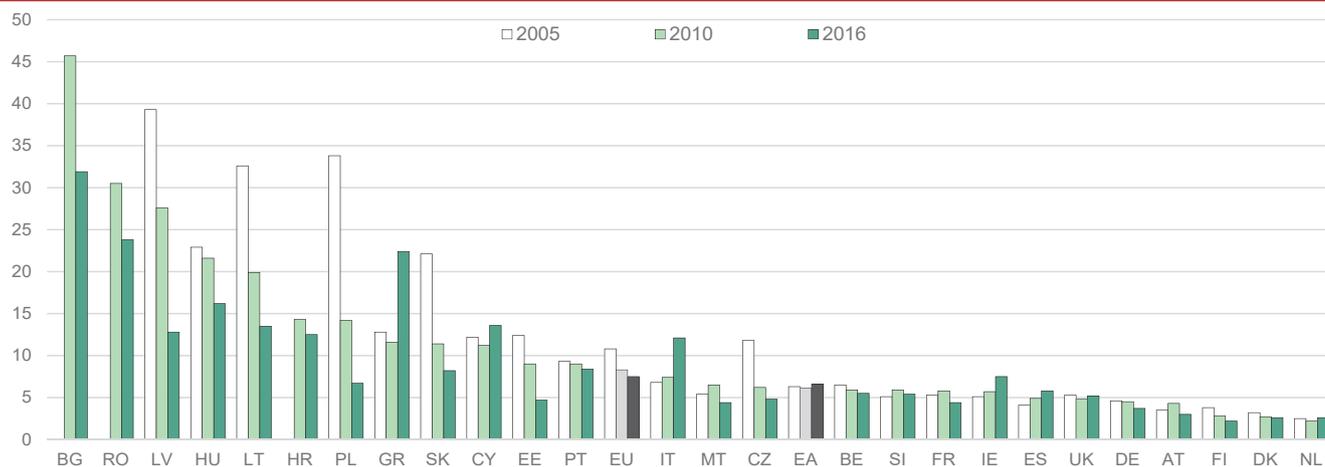
On average in the EU and the euro area, the indicator declined after 2005, reaching its lowest point for the 2005-2015 period in 2009. In 2016, the rate in the euro area was still slightly above its 2010 level, although the number of persons living in low-work-intensity households was slightly higher, while in the EU

the rate was about the same level in 2016 as in 2010.

The share of persons living in low-work-intensity households was higher in 2016 compared to 2005 in 13 Member States and lower in only 9. In 16 Member States this share rose between 2010 and 2016 and in 10 countries it fell during that period.

Poverty and social exclusion

Figure 3.10 Share of people (%) living in households facing severe material deprivation in EU, euro area and Member States (2005, 2010, 2016)



Source: EU-SILC (ilc_mddd11 series).

People living in severely materially deprived households

reductions in this indicator were observed in Poland, Latvia, Sweden, Slovakia, Estonia, Czechia, Lithuania and Finland, while Italy, Greece, Ireland and Spain experienced increases in this indicator. More generally, the new Member States from central and eastern Europe saw sizeable improvements in this indicator, while it worsened for the southern members, including Cyprus.

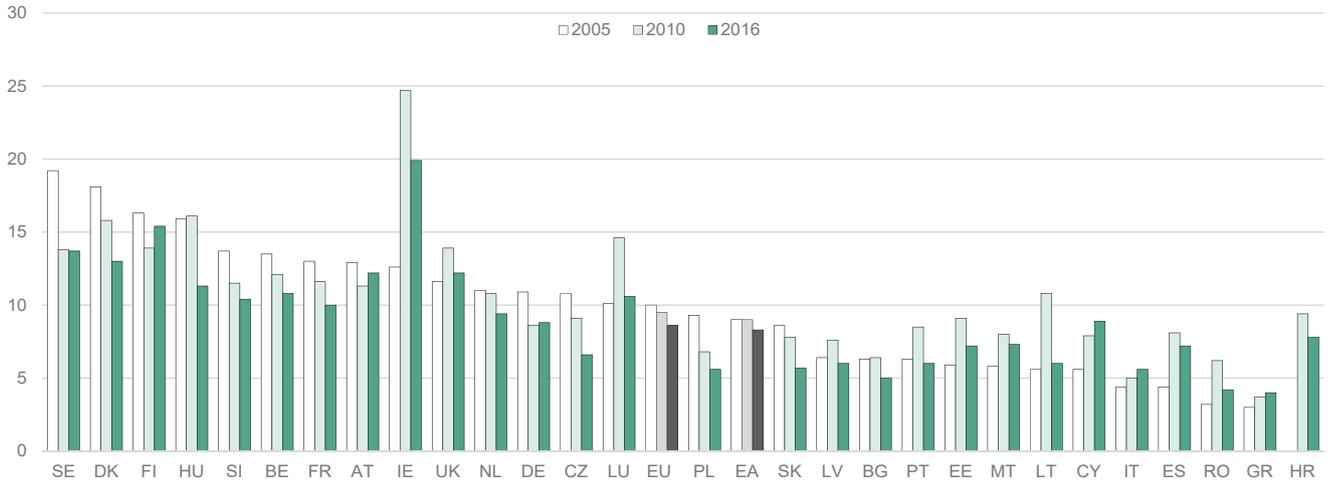
This indicator illustrates the share of the population that cannot afford at least four items which are considered by most people as desirable or necessary to lead an adequate life. The share of severely materially deprived people in the EU27/EU28 was in decline between 2005 and 2009 (and between 2005 and 2007 in the euro area) before starting to climb again, peaking at 10% in 2012 (8% for the euro area). By 2016 it had declined again to 7% (6% for the euro area).

These averages, however, concealed an immense variation among Member States. At one end of the spectrum in 2016, Bulgaria, Romania and Greece had population shares facing severe material deprivation three to four times higher than the EU average. At the other end, in eleven Member States – mostly north-western countries but also in Scandinavia, Estonia and Czechia – less than 5% of the population faced material deprivation in 2015.

For the period for which data are shown here, the most impressive

Anti-poverty policies

Figure 3.11 Difference in at-risk-of-poverty rate before and after social transfers, excluding pensions (percentage points) (EU, euro area and Member States) (2005, 2010, 2016)



Source: Own calculations using EU-SILC data (ilc_li02 and ilc_li10 series).

Declining effectiveness of anti-poverty policies

Figure 3.11 shows the difference in percentage points in the at-risk-of-poverty rate before and after social transfers (excluding pension benefits), with the poverty line being defined as the 60% median equivalised household income in the EU, euro area and Member States between 2005 and 2015. This difference is taken as a measure of the impact of social policies in the form of social transfers in alleviating the risk of poverty. As argued earlier (under Figures 3.8-9), the at-risk-of-poverty rate is essentially an income inequality indicator focusing on the low end of income distribution and it does not measure wealth or poverty. This is one of the indicators included in the EU Social Scoreboard (European Commission 2017), which is associated with the European Pillar of Social Rights.

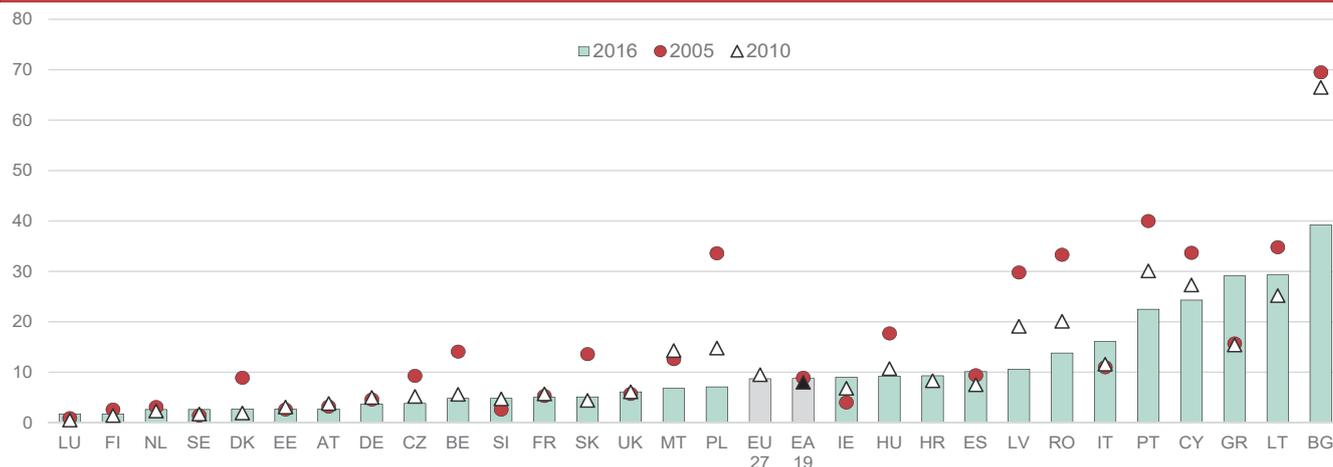
The effectiveness of social transfers in alleviating the risk of poverty fluctuated between 2005 and 2010 in both the EU and the euro area and has been demonstrating a downward trend since 2011.

While this effectiveness has been greater in the EU than in the euro area, there has been some apparent convergence of levels in the EU towards those in the euro area since 2013.

Looking into specific Member States, there were large differences both in 2005 and in 2006, with the effectiveness of social transfers ranging from almost 20pp to 3-4pp. In both 2005 and 2016, the Scandinavian countries were all at the top of the ranking of effectiveness for social policies in alleviating poverty, and by 2016 Ireland had also shot to the top. Southern and central-eastern European new Member States were to be found at the other end of the ranking in 2016, such as Greece, Romania, Bulgaria and Italy, but also Poland, Slovakia and Lithuania. What is also interesting is that in the 2005-2010 period there was an improvement in the effectiveness of social transfers in 11 Member States, whereas in the 2010-2016 period, such an improvement could only be seen in 6 of them (Finland, Austria, Cyprus, Germany, Italy and Greece).

Energy poverty

Figure 3.12 Share of the total population not able to keep home adequately warm by Member State (%)



Source: EU SILC, 2017.

Note: for Ireland 2016=2015, for Romania 2005=2006

Huge divisions between Member States, with improvements in most but still alarming levels in some

As a standard feature of the EU SILC database on material deprivation, the share of population who feel they are not able to keep their home adequately warm is an important indicator of energy poverty. Figure 3.16 shows the results for all EU Member States (MS) for the years 2005, 2010 and 2016.

Energy poverty typically used to be higher in the new Member States (NMS) than in the EU15. Back in 2005, energy poverty in all CEE MS (with the exception of Slovenia and Estonia) was significantly higher than in the EU15. While the rate for the eurozone was 8.9% in 2005, in Bulgaria 69% of the population was affected by energy poverty, and in Lithuania, Poland and Romania, more than a third of the population were not able

to keep their homes adequately warm. Within the EU15 only Portugal reported similarly high values (40%) in 2005, while in Luxembourg energy poverty was within the margin of statistical error (0.9%).

Although the enormous gap has significantly narrowed during the last decade (from a ratio of 1:77 between the best and worst performers down to 1:23) the wide variation between MS has remained and also taken on a new dimension.

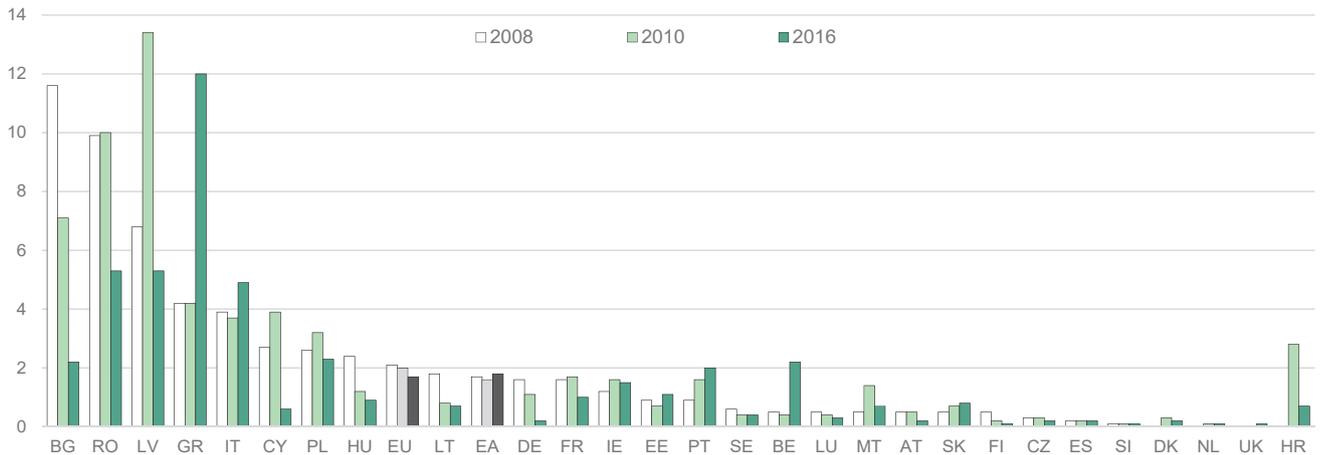
In spite of the effects of the crisis, most NMS performed significantly better in 2016 than in 2005, while the trend for some southern European countries was just the opposite. Out of the whole EU, Poland has achieved the greatest proportional improvement, but Romania and Latvia also saw major improvements. Even Bulgaria, still the worst performer of the EU in 2016, made a huge positive change (by 30pp, making it the biggest change in absolute terms). Greece on the other hand witnessed a dramatic deterioration in energy poverty, sharing now the second-worst level in the EU with Lithuania, at 29%. The situation in Italy has also got worse, with the 2016 figure higher than both 2005 and 2010, as over 16% of Italians claimed not to be able to keep their homes adequately warm in 2016. After Greece and Italy, Ireland was the third MS with an increasing level of energy poverty, although with values closer to the EU average.

Easy generalisations should not be made, as not all southern European MS performed worse in 2016 than in the decade before. Spain kept a stable level, around the EU27 average, while the situation in Portugal has improved a lot since 2010; nevertheless, these are still among the MS with the highest levels of energy poverty in the EU. Instead of the earlier east-west division, the current new division in the EU seems to be mostly driven by shortcomings in social policy. Energy poverty does not only depend on GDP/capita levels: Estonia and Denmark, Czechia and Germany all had similar rates in 2016. Climate policy ambitions and performance do not seem to be decisive either, as some of the best performers in greenhouse gas reduction show the lowest energy poverty values (Sweden, Denmark and Estonia). On the other hand, some of the climate policy laggards top the energy poverty ranking (Bulgaria, Greece and Cyprus). There is thus no general pattern behind the huge divisions in energy poverty among EU Member States.

It is alarming that in 2016 over 20% of the populations of five EU Member States were still affected by energy poverty. Energy poverty needs to be addressed by targeted social policy measures, and in particular by social energy tariffs.

Unmet healthcare needs

Figure 3.13 Share of people (%) with self-reported unmet needs for medical examination because it is too expensive in EU, euro area and Member States (2008, 2010, 2016)



Source: EU-SILC (hlth_silc_08 series).

Affordable access to healthcare

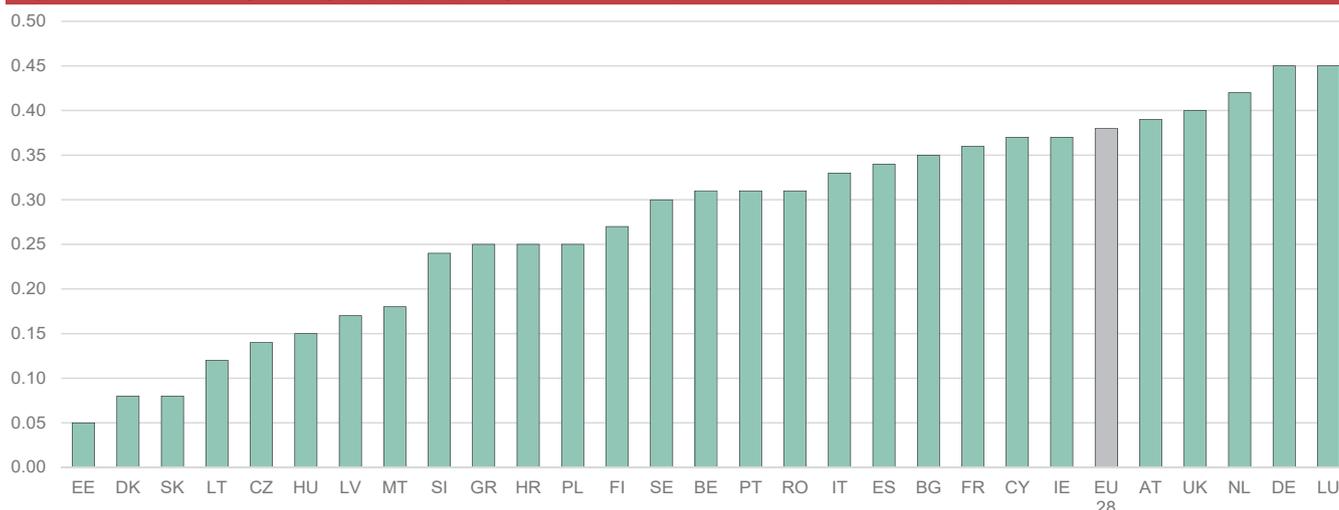
The share of population that reported having unmet needs for medical examination because it was too expensive declined in the EU from an estimated 3.7% (or 18 million people) in 2005 to 1.9% in 2009, before peaking again at 2.4% in 2014 and then once more declining to 2% (10 million people) in 2015 (see Figure 3.13, latest available data). Beneath these averages there were large variations across Member States, both in levels and in relative changes (see Figure 3.10). In 2005, the countries with the highest population shares reporting unmet needs for medical examination because it was too expensive were Latvia, with the highest share at 16.2%, followed by Germany at 7.3% and Poland at 6.8%. Lithuania also had a somewhat above-average share of 4%. On the other hand, in 2005 Czechia, Slovenia and Spain had less than 0.5% of their populations reporting unmet needs for medical examination due to its expense, with Slovenia being on a par with the Netherlands and Luxembourg at 0.2%.

Looking at the evolution of these figures, we see that the largest improvements (decreases) were registered in

Germany, Finland, Austria and the Netherlands (at almost 100%), as well as in most central-eastern European Member States and Spain, where by 2015 self-reported unmet healthcare needs were reduced by 75 to over 80% of what they were in 2005. Substantial decreases in unmet healthcare needs for financial reasons from just under 20% to almost 50% were also seen in Hungary, Sweden, Portugal, France, Malta, Cyprus and Slovenia. On the other hand, large increases in unmet healthcare needs were observed between 2005 and 2015 in Luxembourg, Greece, Belgium and Denmark where they more than doubled, and in Italy and Ireland, where these needs rose by a quarter to twice as much. Overall, measures of dispersion (standard deviation or coefficient of variation) suggest a convergence towards lower unmet healthcare needs for financial reasons among Member States, especially between 2010 and 2015.

Pensions gender gap

Figure 3.14 Pensions gender gap (%), people aged 65 and over (EU28 and Member States) (2012)



Source: EIGE (2015).

Pensions gender gap needs to be tackled

The gender gap in pensions is important to address for two reasons. First, because it often manifests itself as the continuation of gender inequalities in labour market participation, distribution of working hours, and pay; and secondly, because women in fact make up the largest proportion of ageing populations. This gap reflects inequalities in the labour market, including the distribution of unpaid work and its interaction with social protection systems.

Figure 3.14 shows one of the existing indicators of the pensions gender gap, constructed by the European Institute for Gender Equality and calculated as the percentage by which women’s average pension income is lower than men’s, using EU-SILC 2012 microdata (taking 2011 as the reference year). Three types of income received by people older than 65 have been used for the calculation, namely old-age benefits, survivor’s benefits, and regular pensions from individual private plans. Different age cohorts can be used for the calculation of the gap: for example, 65-69 years old,

70-74 years old, and over 75 years old (data not shown here). Here we use the more inclusive cohort of 65 years old and over. The higher the indicator, the higher the gender pension gap is.

On average in the EU28, the pension gender gap for those aged over 65 years old was 38% in 2011. The differences between Member States were sizeable. Above-average gaps were observed in Germany (45%), Luxembourg (45%), the Netherlands (42%), the UK (40%) and Austria (39%). At the other end of the ranking, Estonia (5%), Slovakia (8%) and Denmark (8%) had the smallest gaps.

Policies to address the pensions gender gap should target gender segregation in the labour market and social protection systems as well as the availability of high quality care services for children and elderly family members. Policies to tackle the unequal labour market participation, working hours and pay of men and women, but also the low wage growth in services in which women are traditionally overrepresented, would be one way of achieving lower labour market segregation.

Conclusions

- Income inequality as measured by the income quintile ratio has been increasing in Europe since 2005 and particularly since 2009. While there seemed to be some convergence within the EU28 between 2005 and 2013, divergence between individual Member States set in from 2013 to 2016.
- Public social expenditure per inhabitant increased very modestly in the EU28 between 2010 and 2015, but there also appears to have been divergence in this period (the coefficient of variation, using the weighted average for the EU28, increased). However, a closer look reveals that this was due to the reductions taking place predominantly in the south of the EU.
- In 2015, there were large disparities in the level of total expenditure dedicated to each person wanting to work across the EU. There was a clear divide between north-west European countries – which, with the exception of Ireland, Denmark and the Netherlands, were not or were far less severely affected by the crisis in terms of unemployment – and southern and central-eastern Europe. Expenditure did not move in line with the increase in unemployment.
- On average, labour market insecurity rose after 2007, as did the risk of unemployment. Effective unemployment insurance declined on average. The experiences of the EU Member States examined diverged between 2007 and 2013 along all three dimensions. This is an indication that fiscal austerity had uneven effects across countries and that despite calls for flexicurity as a principle for labour market reform, in practice, labour market policies have been delivering far more flexibility than security.
- Monetary poverty was in decline between 2005 and 2008 before starting to increase again up to 2013. It declined after that but by 2016 had yet to reach its 2008 levels.
- The share of people living in low-work-intensity households took off after 2008 and although it started to decline after 2014, the decline has been fairly slow. The biggest increases between 2005 and 2016 were in the southern European countries that were affected by the crisis, while the largest decreases took place in Poland, Estonia and Czechia.
- The share of people living in households facing severe material deprivation was declining between 2005 and 2008, at which point it started to rise again, up until 2012. The most impressive reductions in this indicator were observed in Poland, Latvia, Sweden, Slovakia, Estonia, Czechia, Lithuania and Finland, while Italy, Greece, Ireland and Spain experienced comparable increases. More generally, the new Member States from central and eastern Europe, with the exception of Slovenia and Croatia, saw sizeable improvements in this indicator, while it worsened for the southern members, including Cyprus.
- Between 2005 and 2010, the effectiveness of social transfers in alleviating the risk of poverty fluctuated in both the EU and the euro area and has been demonstrating a downward trend since 2011. While the effectiveness of social transfers in alleviating the risk of poverty has been higher in the EU than in the euro area, since 2013 there has been some apparent downwards convergence of the EU levels towards those of the euro area.
- There have been significant improvements in the share of people with unmet healthcare needs for financial reasons, with apparent convergence within the EU.
- It is alarming that in 2016 over 20% of the population was still affected by energy poverty in five EU Member States. Energy poverty needs to be addressed by targeted social policy measures, in particular by social energy tariffs.
- On average in the EU28, the pension gender gap for those aged 65 years old and over was 38% in 2011. The differences between Member States were sizeable.
- Overall, the indicators concerning social and labour market conditions have been evolving very much in line with developments in the macroeconomy: following improvements between 2005 and 2008, they started deteriorating up until 2013-2014, since which time there have been signs of slow improvement. Nevertheless, divergence can be observed between the north and south of Europe.
- Despite these improvements, the policies examined in this chapter seem to have been consistently failing to rise to the challenges described above, especially in many of those Member States which were starting from more unfavourable positions when the crisis began (e.g. relatively low public spending on labour market or social protection policies) and which were hit the worst by the crisis itself or the economic policy responses to it.

