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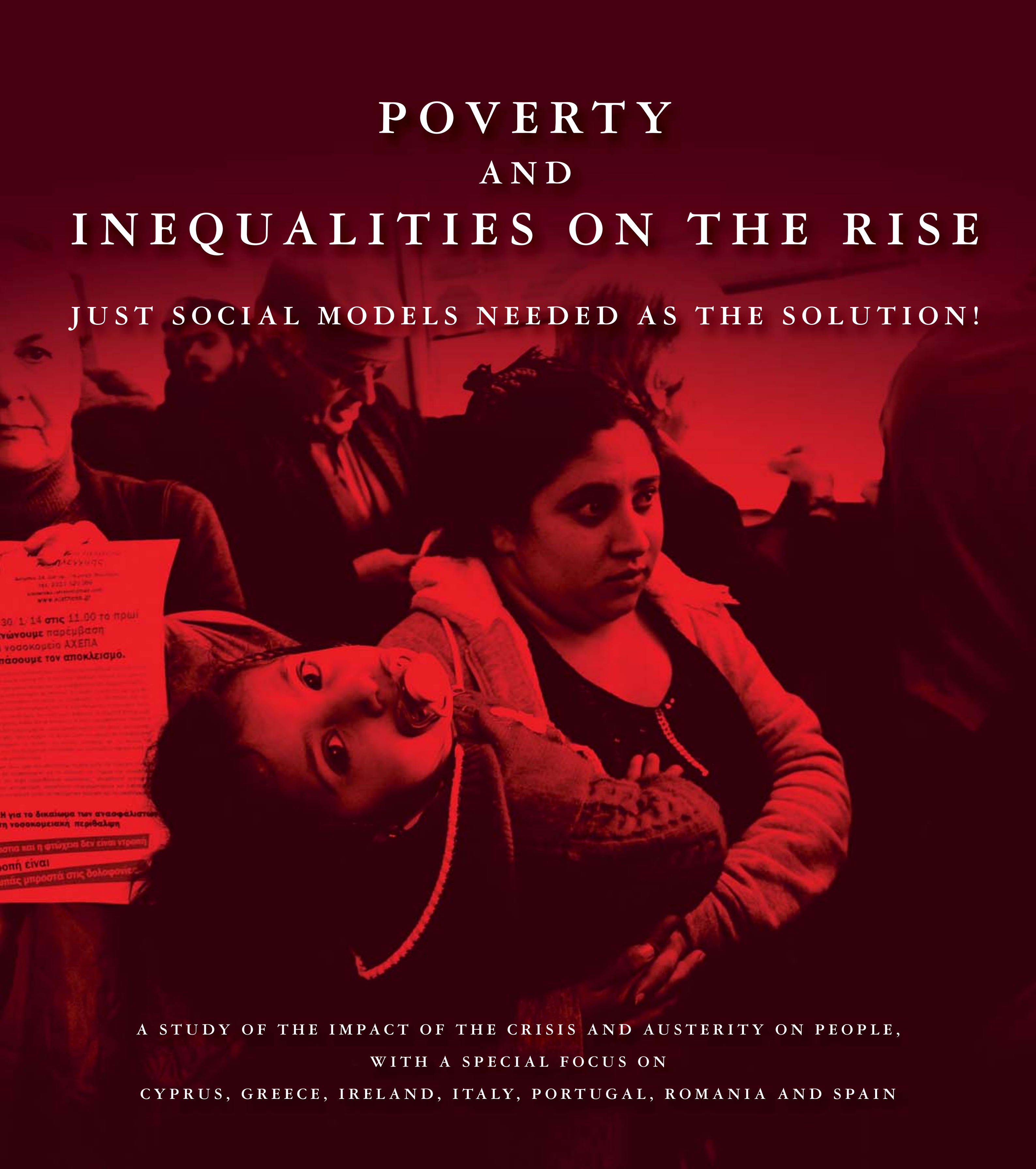
CRISIS MONITORING REPORT 2015

POVERTY AND INEQUALITIES ON THE RISE

JUST SOCIAL MODELS NEEDED AS THE SOLUTION!



A STUDY OF THE IMPACT OF THE CRISIS AND AUSTERITY ON PEOPLE,
WITH A SPECIAL FOCUS ON
CYPRUS, GREECE, IRELAND, ITALY, PORTUGAL, ROMANIA AND SPAIN

A Caritas Report prepared by Social Justice Ireland

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Preface

This edition of Caritas Europa's Crisis Monitoring Report shows evidence suggesting that six years after the crisis began in 2008 the economic crisis is still leaving its marks on residents and EU economies. In addition to enormous debt levels with very little economic growth, there are huge numbers of unemployed people and millions of people living in poverty or at risk of poverty. Caritas member organisations in Cyprus, Greece, Ireland, Italy, Portugal, Romania and Spain provide concrete examples and testimonies of the lasting impact of the crisis on individuals in these countries.

Pope Francis said in his speech at the European Parliament in November 2014: "The time has come to work together in building a Europe which revolves not around the economy, but around the sacredness of the human person, around inalienable values. In building a Europe which courageously embraces its past and confidently looks to its future in order fully to experience the hope of its present."* In order to not only analyse the crisis and its impacts, we intended with this report to also bring hope to policy and decision-makers at local, regional, national and European levels, as well as to non-governmental organisations, the Church and the people most affected by the crisis through the formulation of concrete proposals to overcome the crisis.

During Caritas Europa's launch of the Europe 2020 Shadow Report in November 2014, Mrs. Marianne Thyssen, Commissioner for Employment, Social Affairs, Skills and Labour Mobility, noted that: *"Meanwhile, the number of households suffering from severe material deprivation, low-work intensity and in-work poverty has gone up dramatically. This Commission intends to make a fresh start at tackling the social challenges, both those stemming from the crisis and those that predate it. President Juncker therefore agreed on a contract with the European Parliament. This contract is based on investments, structural reforms and fiscal credibility."*

Despite this, the reinforced prioritization at EU level is on innovation and growth. Such a paradigm, however, seems to be increasingly challenged. It has become obvious that growth alone will not eradicate unacceptable inequalities. Employment levels are not increasing quickly enough and the quality of employment is insufficient to lift children and their families out of poverty. Simultaneously, social protection systems are still under strain, gaps in protection systems leave many people in very abject situations, while cuts to public services disproportionately affect lower-income groups, and the life-chances of many children are adversely affected by the combined effects of the more precarious working situations (of their parents), cutbacks in benefits and reductions in key services.

The recent elections in Greece and the emergence of a new political party with a different narrative in Spain show that people are losing their patience and finally want to see some progress. Indeed, those paying the highest consequences as a result of the crises are those who had no part in the decisions that led to the crisis; and the countries worst affected are amongst those with the biggest gaps in their social protection systems, so their welfare systems are least able to protect their vulnerable populations.

* Address of pope Francis to the European Parliament, Strasbourg, France, Tuesday, 25 November 2014.

The newest edition of the Crisis Monitoring Report not only presents Caritas Europa's message, but also that of those individuals, who endure the crisis and its multiple consequences day after day. This Report likewise conveys the message from our member organisations, who are involved on a daily basis through the services provided at grassroots level, in response to those suffering under the effects of the crisis. Caritas Europa is convinced that any kind of policy and legal measures aiming to address the impacts of the crisis shall be rooted in the promotion and protection of human dignity, advancement of the common good and the support of solidarity between all groups in society.

This report is a useful tool to promote recovery in Europe and to avoid new crises. Or to say it in the words of Pope Francis: "A Europe which cares for, defends and protects man, every man and woman."*

My special thanks go to Séan Healy, Director of Social Justice Ireland, and our team of Caritas' experts and staff members, who tirelessly worked on this publication and without whom it would not have been possible to produce.

Jorge Nuño Mayer
Secretary General

* Address of pope Francis to the European Parliament, Strasbourg, France, Tuesday, 25 November 2014.


ΑΠΑΓΟΡΕΥΕΤΑΙ
ΑΥΣΤΗΡΑ
Η ΑΦΙΣΟΚΟΛΛΗΣΗ
Ν. 2946/01 & 3023/02

Part 1

THE EUROPEAN CRISIS - INTRODUCTION

Caritas Europa has already published two crisis-monitoring reports. In early 2013 the first crisis monitoring report, *The Impact of the European Crisis: A Study of the Impact of the Crisis and Austerity on People*, focused especially on five countries - Greece, Ireland, Italy, Portugal and Spain. The second report in the series, *The European Crisis and Its Human Cost – A Call for Fair Alternatives and Solutions*, was published in 2014 and expanded the focus to take in a further two countries, Cyprus and Romania. In this report, we will hereafter refer to those reports as the '*Caritas Crisis Monitoring Report, 2013/2014*' and to the two previous reports in this series as the '*Caritas Crisis Monitoring Reports*'.

Both reports were informed by studies and statistics from across Europe and by Caritas member and affiliated organisations in the countries concerned that work with poor and vulnerable people. The reports concluded that the world described was not just. Another conclusion was that the prioritisation of austerity measures to the virtual exclusion of all other approaches would not solve the crisis and was causing social problems that would have lasting impacts.

Thus this report is the third in the series. Again we have worked with member organisations in seven countries, focusing especially on their experiences during the past year or so. Caritas Europa member organisations work extensively in all seven countries covered by this report as well as in all member countries of the EU, responding to the challenges currently being faced. Combined, their work reaches millions of people in need.

The focus of these reports is on the human cost of the crisis and of the measures undertaken by the authorities, focusing especially on trends in employment, unemployment, poverty rates, severe material deprivation and low work intensity in seven countries severely affected by the crisis. These issues represent an increasing concern, not only among Caritas members and affiliates, but also amongst a range of institutions, researchers and NGOs.

In last year's report we included, as an Appendix, an additional section written by Dr Seán Healy, Director of Social *Justice Ireland*, which was a discussion on future options in key policy areas. In this report, we consider similar issues in **Section Three**, which seeks to generate discussion about proposals for innovative and systemic reforms that could be undertaken by the EU and its Member States in the future.

We hope that these reports can contribute to greater awareness of the impact on more vulnerable groups of the crisis, and of the austerity measures taken to address it, and of alternative policy approaches that could be taken by the authorities to alleviate the worst effects of such approaches. The report is informed by the belief that the authorities always have choices in deciding what policy approaches to use and how measures are targeted – in other words, who should pay most. Though the slogan 'while protecting the vulnerable' is often used in the surveillance procedures of the IMF and of the European bodies involved in advising on and enforcing measures intended to address the crisis, in practice, Caritas member organisations across Europe witness poverty, unemployment, exclusion, mounting distress and despair amongst increasing numbers of people who rely on their services. They provide a unique perspective that has much to offer to policy makers at local, regional, national and EU-wide levels.

We also hope that the conclusions and recommendations outlined here, which flow from this analysis concerning alternative approaches and different choices Governments could make, will be taken on board by the Governments concerned and acted upon so as to alleviate the extraordinary levels of suffering which have been imposed on large numbers of people in the period since 2008.

In this section we look in brief at the overall causes of the crisis and at the official response of the main institutions concerned. We then look at some of the key policy measures that have been pursued in the seven countries, some key economic and social indicators for the EU in general and for the seven countries considered in this report in particular.

Causes of the Crisis

Rising defaults on subprime loans in the United States were the immediate trigger for the global financial crisis. In previous versions of this report we have discussed how a range of prominent commentators characterise the causes of the crisis. For example, Joseph Stiglitz, the Nobel prize-winning economist, links growing inequality to the subprime crisis which he identifies as having been caused by bad regulation and bad financial practices in the United States, which affected the entire world (2009). He attributes these practices to an effort to boost demand in an economy in which poorer people were encouraged to keep borrowing and spending and which led to a massive debt finance bubble. Stiglitz attributes the underlying cause of the lack of spending by poorer people to a rise in inequality over the past 30 years:

'In effect, we have been transferring money from the poor to the rich, from people who

would spend the money to people who do not need to spend the money, and the result of that is weaker aggregate demand'

(Stiglitz, 2009, p.7).

The massive expansion and lax regulation in the banking and finance sector prior to 2008, and indeed the rise in inequality that Stiglitz refers to, is associated with economic theories and policies that arose in the 1970s which can be described as market liberalism policies (Quiggin, 2011). These policies, based on a belief that free markets are efficient,[1] involve:

- removing state controls on the growth, use and flow of capital, and
- redistribution of income from the poor and middle classes to the rich (Healy *et al*, 2012).

The first led to 'financialisation' which involved the creation of new and complex financial products and to the lowering of interest rates which led to increased investment in the financial world itself and in property – which in turn led to huge price increases and a property bubble in the US and elsewhere. The bursting of the bubble in 2008 exposed the huge risks that had been taken with lending and the precarious state of the world's financial institutions.

The second tenet is based on the famous 'trickle down' approach which assumes that policies that benefit the wealthy will eventually benefit everyone. The evidence does not support that hypothesis, however. As Quiggin points out, most of the benefits of economic growth in the US, for example, went to the top 1% of people; by 2007, the top 1% in the US were receiving nearly 1/4 of all personal income, more than the bottom 50% put together (2011).

The issue of inequality is a very pertinent one and one being much debated in 2014, especially following the publication and popularity of *Capital in the Twenty-first Century* by French economist, Thomas Piketty. According to Piketty's major study of over three centuries and 20 countries, wealth is concentrating at levels incompatible with democracy let alone social justice. Thus, because the return on capital outstrips growth (and is likely to continue to do so in the absence of action by governments), inequality increases all the time. Capitalism, according to Piketty's analysis, automatically creates levels of inequality that are unsustainable and, while it is the case that inequality diminished for much of the 20th century, we are now headed back towards Dickensian levels of inequality worldwide in the absence of policy change (Mason, 2014).

Certain assumptions about what caused the crisis of 2008 have informed much of the commentary and public policy-making that has followed. Commenting on the response to the crisis, Stiglitz has discussed how, at first, a consensus seemed to emerge as to its cause - that a bloated and dysfunctional financial system had mis-allocated capital and created risk - but that this consensus changed and politicians, committed to austerity, tend to stick with the policy despite evidence that it leads to the collapse of the economy (Stiglitz, 2013; 2013a; Moore, 2012). In essence, a crisis of *private* finance emerged in the financial system and was transformed into a burden for *public* finance; through austerity the immense cost of this transformation is now imposing itself on society (Meadway, 2013).

In this brief introduction it is not possible to consider in great detail the situation of each of the seven countries prior to the crisis or the detail of its unfolding in each case. However, it is important to note that when the crisis hit, different situations obtained in each European country depending on a wide range of local circumstances. These included issues such as indebtedness of the financial sector and of individuals, government debt levels, levels and spread of taxation measures, effectiveness of tax collection systems, administrative efficiency and indeed institutional practices, capacity and integrity. The resilience of countries to resist the global downturn and the austerity measures implemented in many Member States has been very much influenced by how labour markets and social systems were constituted and indeed also on the capacity for emigration of their populations, which has also been a significant factor in some countries (particularly Ireland). It has been noted that countries with relatively un-segmented labour markets, solid industrial relations' institutions and strong welfare systems have tended to fare better than those with highly segmented labour markets, strained labour relations and weak welfare provisions (Social Protection Committee, 2014).

In several countries considered in this report, the years prior to the global financial crisis were characterised by relatively high growth levels. Some, such as Ireland, had been praised highly during previous years as model economies. However, low or stagnating levels of growth had been the order of the day in Italy and Portugal. Very high levels of government gross debt were characteristic of Italy and Greece prior to the crisis and levels were relatively high in Portugal, but this was not the case in the other four countries – Cyprus, Ireland, Romania and Spain.

Losses by banks played a major role in the European crisis overall and this was especially a feature of the onset of the crisis in Ireland, Spain and Cyprus. The structure of inter-European lending, with 'core' banks and financial institutions holding bonds issued by 'peripheral' banks, meant that peripheral governments and ultimately citizens were required to recapitalise domestic banks in the interests of protecting the position of foreign bondholders. In Greece, it was really as the crisis continued that banking difficulties emerged and became more problematic. The Greek situation also represents a particular case as the origins of the crisis there can be traced

[1] That is, the idea that prices generated by financial markets are the best possible estimate of the value of any investment (Quiggin, 2011)

to both a failure of institutions and of the political elite, starting as it did when it emerged in 2009 that the Greek state had falsified its level of national debt with the aid of US investment banks and others. The nature of the Greek crisis has led to a common conception that the problems arising throughout the peripheral countries of the Eurozone have been essentially problems of public debt – but, as already indicated, this is to misunderstand the position in the years prior to 2008. Furthermore, many of the current and large budget deficits are a result of the effects of private debt and the interest payments on bank debt taken on by governments.

Other factors that differed between countries prior to the crisis include levels of employment, unemployment and poverty as well as the adequacy of social protection mechanisms and healthcare systems. The performance of those social protection and healthcare systems has, of course, greatly affected the experience of vulnerable groups in the seven countries.

It is well recognised that the creation of the European Monetary Union did not create a complete currency union (Healy *et al*, 2014). Writing in the *Cambridge Journal of Economics*, Blankenburg and colleagues trace the current financial and political crisis to this flawed architecture of the establishment of the European Monetary Union and analyse the way in which the global financial crisis revealed the structural distinctions between the core countries in the Eurozone and the peripheral ones (2013). They take issue with the dominant view in the EU core, which is that the crisis resulted from financial profligacy of governments of deficit countries in the periphery (Blankenburg *et al*, 2013). This dominant view leads to the position that it is the irresponsibility of peripheral countries that has created the problems, and consequently, that it is only by their acceptance of the burden of adjustment that it will be solved (Blankenburg *et al*, 2013). Contrary to this, Blankenburg et al argue that, in the face of empirical evidence, it is difficult to maintain that the euro crisis is primarily a crisis of public profligacy in the periphery:

> *'What those member states that today find themselves in difficulties had in common prior to the onset of the euro crisis, is that they all - Greece, Spain, Italy, Portugal and Ireland - ran growing trade deficits (see, for example, Wolf, 2011) … In the EMU, the formal 'rules of the game' of monetary and financial integration are more heavily stacked against state intervention and in favour of private sector dominance than in any other advanced economy'*
>
> (Blankenburg et al, 2013, pp.465-466).

Official Responses to the Crisis

In this section we will look at the overarching response of the European Institutions to the crisis, refer to its economic and social impact (something that we will look at in more detail in the next section), and finally refer to the current position of the seven countries under review in this report regarding financial assistance programmes and the EU Excessive Deficit Procedure.

Response of the European Institutions

Initially, in November 2008, EU Member States participated in expansionary fiscal politics in an attempt to mitigate the effects of the crisis and the Commission played a role in coordinating this through the *European Economic Recovery Plan*. This plan proposed increased investments in infrastructure and other key sectors, and involved a total package of around EUR 200 billion or 1.5% of EU GDP. State-aid rules and rules for the use of EU funds were also adjusted to facilitate the mobilisation of public funds (European Commission, 2014i).

However, as the crisis spread, this approach was changed. The current European strategy can be summarised as the following series of measures:

- **Consolidation and Adjustment** – reducing deficits throughout the EU through fiscal consolidation along with lending to distressed countries with requirements to undertake structural adjustment programmes; promoting 're-balancing' through 'internal devaluation' in those countries with current account deficits aimed at increasing competitiveness;

- **Proposed Banking Union** - creating a banking union to centralise regulation of European banks and provide a banking resolution scheme;
- **Fiscal Supervision** - creating supervisory structures to enable the European Commission and other Member States to monitor the budgets of individual states through new fiscal governance mechanisms, and the enshrining of fiscal rules into the laws of each Member State (through the Fiscal Compact – see Glossary for a definition).

Fearing that 'contagion', if a bank failed, could cause the collapse of the European financial system, European leaders, led by the European Central Bank (ECB), were determined that no bank should fail and that the issue of budget deficits would be rectified by the imposition of austerity measures and structural 'reforms'. The 'no bond holder left behind' policy represents a massive socialisation of the debt accumulation of private banks in the peripheral countries, and arguably represents the largest transfer of wealth from citizen to private creditors in Europe's history.

The 'no bondholder left behind' policy was varied in the case of the second assistance package in Greece in 2012, which included some debt restructuring. The IMF subsequently distanced itself from the decision not to require debt restructuring at the outset of the intervention in Greece (which was insisted upon by other members of the Eurozone to avoid contagion) as it allowed private creditors to reduce their exposures on a significant scale, thus leaving taxpayers and the official sector 'on the hook' (IMF, 2013a).

In Cyprus, a relatively small country, contributions were required from bank creditors at the outset, including uninsured depositors (with deposits of over €100,000).

The European Financial Stability Fund (EFSF) was used to fund the Greek, Irish and Portuguese programmes and subsequently the European Stability Mechanism (ESM) was established to facilitate public lending to the distressed countries with potential funding of €500 billion. The ECB calmed financial markets from 2012 by announcing unlimited support for all Eurozone countries involved in a sovereign state bailout/precautionary programme from the EFSF/ESM. In June 2012, while reaffirming a European commitment to structural reforms and fiscal consolidation, the Euro Area Group and European Council agreed to recapitalise banks directly through the ESM (European Stability Mechanism) and that the link between bank debt and sovereign debt could be broken. This raised the possibility that Spanish and Irish citizens would not bear sole responsibility for the actions of their private banks. However, this appeared to have been squashed subsequently, and the current approach, agreed in December 2013, is to effectively suspend the June 2012 agreement until the creation of a shared banking union with shared supervision by the ECB, a common resolution scheme and a deposit insurance scheme (Healy *et al*, 2014).

The ESM was accompanied by the Fiscal Compact, which requires the writing of fiscal rules into the laws of Member States. Additionally, the Directorate-General for Economic and Financial Affairs has been given further powers to monitor the fiscal and macro-economic policies of Member States. The new European fiscal governance mechanisms (the Stability and Growth Pact augmented by the 'Sixpack', and the Fiscal Compact) require governments to keep their deficits to 3% of GDP (the so-called 'deficit brake'), and within that to target a structural deficit of below 0.5%[2]. Government gross debt must not exceed a limit of 60% of GDP (the so-called 'debt brake'). These mechanisms under the Stability and Growth Pact have two arms – a preventive arm and a corrective arm: the preventative arm is associated with the country-specific recommendations issued annually as part of the European Semester[3]. The corrective arm operates through the Excessive Deficit Procedure that is invoked when one or both of the rules (that the deficit must not exceed 3% of GDP and public debt must not exceed 60% of GDP) are breached.

The stricter EU fiscal rules were adopted with relatively little national public debate and the more stringent supervisory powers of the Commission have yet to be fully grasped in all countries. In summer 2014 the new system of economic governance was being debated and the Italian Prime Minister is one of those seeking flexibility in how the rules are applied. Some commentators characterise the new system of governance as the complete separation between the democratic process and economic policies (Fazi, 2014).

High levels of public debt were not the cause of the growth collapse (Ash & Pollin, 2013). Yet the approach of the European institutions reflects the view that cuts in budget deficits will 'promote business confidence', particularly if they are achieved through 'reductions in expenditure' (Quiggin, 2011). This is despite the fact that it is acknowledged in the Social Investment Package adopted in 2013, that Member States that moved toward a social investment approach[4] in their social policies early on have more inclusive growth than others (European Commission, 2013f). A recent communication from the Commission, that accompanied the 2014 country-specific recommendations for Member States, recognises that the 'structural nature of certain forms of unemployment, limitations of access to education and healthcare, certain tax-benefit reforms may all weigh disproportionately on the more vulnerable parts of society' (2014d, p.6). They also refer to the fact that this also poses a risk to the EU's future growth potential. Yet that does not mean that the country-specific recommendations made will have the effect of protecting

[2] The structural balance is the balance once the transitory effect of the business cycle and once-off budgetary measures are removed, but this balance is difficult to measure and there is much disagreement amongst Economists on the issue.
[3] ?????????????
[4] Described as putting greater focus on policies such as childcare, education, training, active labour market policies, housing support, rehabilitation and health services.

vulnerable people. In fact, the social policy recommendations made under the new system of governance tend to reflect highly political ideas about how a national social model should operate. Commentators have described it thus:

'The tenets of this message are as follows: the costs of health care and pension systems should be pegged or even reduced; the wage formation systems should be brought within the realm of competition; the social benefit systems create disincentives to labour market participation; labour costs must be reduced. This message contains nothing or very little about how social models are intended to reduce inequality, to supply assistance and protection, nor about the ways in which they could contribute to the operation of a regulated market economy'

(Degryse, Jepsen, & Pochet, 2013, p. 37).

There is conspicuous policy incoherence at European level. The Europe 2020 Strategy has set targets to improve employment and educational levels and to reduce poverty. In practice, the measures being required of programme countries and some others under the new EU governance mechanisms lack a focus on inclusive measures required to meet the inclusion targets established by the Europe 2020 Strategy. Economic priorities have taken precedence over social priorities and the EU Institutions fail to use the potential they have to prioritise policies aimed at poverty reduction.

For example, the Annual Growth Survey, 2014, sets out broad policy priorities for the year ahead. Adopted in November 2013, it includes as its fourth priority, 'tackling unemployment and the social consequences of the crisis' (European Commission, 2013h). However, when it comes to specifying concrete actions, while there is a reference to 'the most vulnerable,' the focus is largely on activation measures, and a reference to improving social protection is related to strengthening 'the link between social assistance and activation measures' (2013h, p.13).This of course tends to suggest greater conditionality and curtailment of benefits. This is at best a questionable approach in a Europe where so many jobs have been lost in the past six years. Activation measures alone do not create jobs. Also, while there is a reference to childhood poverty, measures to address it do not feature in the four areas highlighted as priorities under the heading of 'tackling unemployment and the social consequences of the crisis' (European Commission, 2013h). It is difficult to understand also why the Annual Growth Survey 2014 makes no reference to the Social Investment Package adopted by the European Commission in February 2013. This sends a message to governments about prioritising macro-economic issues and, as a result, there is a risk that National Reform Programmes will continue to give limited attention to policies aimed at tackling the problems of poverty[5]. Caritas Europa continues to stress that the European semester still has the capacity to help realise the vision of the Europe 2020 Strategy and to make the EU more socially responsive if the will existed to do so. Some people also see inconsistency in how the Commission often reiterates that 'employment and social policies fall very largely under the national competence of the Member States' as they did when outlining their 2013 proposal for strengthening the social dimension of the EMU (European Commission, 2013b, p.1) and yet require fundamental and often very detailed changes in these very areas from programme countries and from those within the Excessive Deficit Procedure.

The strategy of austerity is informed by a particular analysis of the crisis which blames it on a combination of lax regulation of the banking sector and insufficient fiscal rigour. However, while it is correct that the banking sector was the major cause of the crisis, it is not the case that government profligacy or insufficient fiscal rigour characterised all the countries that have been severely impacted by the crisis. Even the IMF, which has been a major proponent of austerity measures, has questioned the efficacy and social cost of these policies. It has been acknowledged, for example, that cutbacks have had larger than expected negative multiplier effects on output (IMF, 2012). An IMF Working Paper found that fiscal consolidation episodes have typically led to a significant and persistent increase in inequality, declines in wage income and in the wage share of income, and increases in unemployment (Ball *et al*, 2013).

Professor Mark Blyth describes the policy of 'growth-friendly fiscal consolidation' as one that results in poorer people, who rely on state services, paying for the actions of well-off people, who are not affected to anything like the same extent by cuts in public budgets (2013). Another commentator has said that the burden of fixing a crisis caused by financial markets and the central banks and regulators that were supposed to control them, has been placed 'on ordinary workers, public services, the old, and the sick' (Quiggin, 2012).

Structural adjustments in programme countries have been overseen by the International Monetary Fund, the European Commission and the European Central Bank (the so-called 'Troika'), none of which is a democratically elected body. Some commentators warn that the harsh austerity measures imposed on vulnerable Eurozone countries illustrate how disconnected economic technocrats and policy-makers are from the suffering of ordinary Europeans (Karger, 2014). While often represented as neutral technocrats, Troika members actually act from highly political views on the role of government in society, on labour market functioning and on levels of social spending. In particular, the crisis has placed

[5] See the Caritas Europa reports on the Europe 2020 strategy where more detailed analysis is available on the implementation of the Europe 2020 Strategy.

the unelected institution, the ECB, in an extremely powerful position relative to Euro area Member States and other European institutions. According to Oxfam, what is happening in Europe now is similar to the policies imposed on Latin America, South-East Asia and sub-Saharan Africa in the 1980s and 1990s, when financial bailouts from the IMF and the World Bank required austerity measures that imposed the pain on those least able to bear it, and that ultimately failed by leading to stagnating incomes and rising poverty in many countries and scarring generations (2013). It has also been pointed out that in developing countries, the IMF and World Bank require the countries involved to develop poverty reduction strategies by means of a broad-based participatory process, and that this has not been a feature of the measures required in the Eurozone. This means that, to some extent, the conditions imposed are harsher than those imposed on developing countries (Karger, 2014). The response of the European institutions has raised serious issues about the democratic legitimacy of the process of decision-making.
The legal basis for the actions of the Troika is now being questioned. A recent legal opinion from Professor Fischer-Lescano, of Bremen University, requested by the Chamber of Vienna, suggests that EU institutions are obliged to act in accordance with fundamental rights under Article 51 of the Charter of Fundamental Rights of the European Union and that they have been acting unlawfully. The opinion concludes:

'Through their involvement in the negotiation, signature and implementation of the MoUs, the EU institutions are infringing primary law. They are acting unlawfully .... In implementing the MoUs the EU institutions are also acting ultra vires in the fields of education, health and social policy .... {Actions} are disproportionate and to a certain extent contrary to the substance of the fundamental rights, they infringe the prohibition on discrimination and fail to meet the procedural requirements laid down in EU law for fundamental rights encroachments'

(Fischer-Lescano, 2014, p.60-61).

It is hard not to conclude, as many commentators do, that the new economic governance procedures are attempting to solve the wrong problem (Healy *et al*, 2013). However, for countries bound by the Fiscal Compact (including the seven countries considered in this report) the scope to slow the pace of consolidation or to undertake investment policies that support growth is now severely limited by the EU's new fiscal governance mechanisms. If the Fiscal Compact is not accompanied by investment programmes and a generous interpretation of structural deficit figures, it has the potential to become, in the words of Joseph Stiglitz, a 'suicide pact' (Moore, 2012).

Stiglitz describes the response to the crisis as having 'tinkered around the edges.' He argues that banking mergers that have occurred since the crisis have left the banking problem worse – with more banks considered too-big-to-fail, an excessive degree of interconnection within the financial system, and little knowledge about some of the risk exposure of some of the biggest financial institutions (2013; 2013a). He is also critical of the major problem represented by the fact that credit agencies continue to be paid by the banks that they rate.

Impact of the Institutional Response

In the early phase of the crisis (until 2009), social expenditures played a strong role in stabilising house¬hold incomes. The European Commission recognises that following the European Economic Recovery Plan recommendations of November 2008, enhanced unemployment benefit systems played an essential role in income stabilisation, with other items of social expenditures (notably pensions and health) also playing a role in maintaining aggregate demand within the economy. However, from 2011, social expenditure declined and the fiscal stimulus was phased out and subsequently, employment and social challenges grew during the second dip of the recession (European Commission, 2014o). In many contexts, fiscal consolidation policies are driven by a cost-saving logic, and their negative social impacts on women, children, older persons, unemployed people, immigrants or persons with disabilities, are viewed as unavoidable collateral damage in the quest for fiscal balances and debt servicing (CESR, 2012). The current approach places the burden of economic adjustment on government spending as well as on prices and wages throughout the EU.

In this section we will look briefly at some impacts of the institutional response before considering the facts in more detail in the next section.

The double impact of the crisis on children and families has been highlighted by Europe's Independent Network of Experts on Social Inclusion: on the one hand, families became more at risk of poverty due to rising unemployment levels and significantly reduced incomes; on the other, austerity measures introduced by Member States led to cutbacks in child and family-related services (Frazer & Marlier, 2012). That network argues that services for children and their families have often been cut back just when they are most needed and that this is particularly evident in the measures imposed on programme countries - a very short-term approach and one that stands in stark contrast to the philosophy that underpins the Commission recommendation on investing in children (European Commission, 2013g). It means, in the opinion of the network's experts, 'that increasingly children's rights are put at risk as a result of the lack of access to adequate income, protection, services and support' (Frazer & Marlier, 2012, p.19). A report from UNICEF on the situation of children concludes that the progress made in education, health and social protection over the last 50 years is now at stake (UNICEF 2014).

In 2013, the gross disposable income of households continued to decline in the Euro area in real terms, albeit at a slower rate than previously (European Commission, 2014a). In the third and the fourth quarters of 2013, in an increasing number of EU Member States, an improving economy was not accompanied by the creation of new jobs. Thus, while unemployment has stabilised since mid-2013, figures for January 2014 showed that it is still at record high levels, with around 26 million people (10.8% of the economically active population) in the EU looking for work. In several Member States, unemployment has remained similar to the historically-high levels first seen in the current crisis (European Commission, 2014a). The at-risk-of-poverty or social exclusion rate (the combined indicator of poverty used in the Europe 2020 Strategy) increased from 2008 to 2013 in most states and amounted to 122.5 million people or 24.5% of the population of the EU-28 (that is, almost 1 in 4 people) (Eurostat News release 2014e). Between 2012 and 2013, the rate increased in thirteen Member States[6] and the countries with the largest rates of increase were Portugal (2.1 pps) and Greece (1.1 pps) (Eurostat, code: t2020_50). Also, from 2010, as a consequence of sustained hardship, severe material deprivation started to increase significantly across Europe, rising especially sharply in Greece, Cyprus, Ireland, Italy and Spain (European Commission, 2014b).

The austerity approach is now contributing to a rapid reduction in inflation, and even raising the possibility of deflation. Low inflation makes it difficult for individuals and governments who have borrowed money to reduce debts. Deflation would raise the real debt burden facing both private and public debtors in Europe, potentially extending a 'balance-sheet' recession. Thus, a set of policies involving structural adjustment and austerity intended to reduce debt burdens will actually perpetuate them (Healy *et al*, 2014).

A recent report from the German Bertelsmann Stiftung Foundation found that cross-country comparison shows that austerity policies pursued during the crisis and the structural reforms aimed at economic and budgetary stabilisation have had, in most countries, negative effects with regard to social justice (Schraad-Tischler and Kroll, 2014). All seven of the countries with which this report is concerned are ranked as worse than the European average in terms of social justice, with Romania and Greece being the worst in Europe (EU28).

As we reported in the *Crisis Monitoring Report, 2014*, a Eurobarometer study found that in May 2013, two-thirds of Europeans (67%) say that their voice does not count in the EU and this has increased almost continuously since 2008 (European Commission, 2013e). The democratic deficit at the heart of Europe is resulting in a lack of democracy and effective leadership with citizens nowhere directly involved (Giddens, 2013). As Giddens puts it: 'under the impact of the crisis, support for the Union has begun to corrode' (2013). This lack of confidence in the EU, combined with high levels of unemployment, has the potential to contribute to serious political problems in Europe. As we noted in the *Caritas Crisis Monitoring Report, 2014*, a survey conducted in 69 countries found that being unemployed leads to more negative opinions about the effectiveness of democracy and increases the desire for a rogue leader (Ball *et al*, 2013). The effects were found to be more pronounced for long-term unemployed people. Attention is focusing on the potentially 'dangerous road' of the structural adjustment programme being pursued in Europe, with conditions considered favourable to the rise of extreme nationalism or extreme right-wing or fascist political movements (Karger, 2014, p.46).

The European elections in May 2014 confirm voters' discontent across Europe with mainstream politicians, choosing instead to vote for Eurosceptics, populists and the far-right, and also for anti-establishment parties from the left. For example, this was reflected in a surge in support for right-wing populist parties such as Denmark's DPP, UK's UKIP, Hungary's Jobbik and France's National Front. In France, for the first time since the end of the Second World War, an extreme right-wing party topped a national poll. In Greece voters shifted to the radical-left Syriza party while electing at least three neo-Nazi Golden Dawn members to the European Parliament at a time when many of that party's leaders are in prison on charges of running a criminal organisation.

In our *Caritas Crisis Monitoring Report, 2014*, we noted that all countries across the EU have been losing faith in the European project – both creditor and debtor countries alike - (Leonard & Torreblanca, 2013) and that this trend, if it continues, will have huge long-term implications for the viability of the whole European project. One of the reasons for this is that the official response to the crisis has ignored 'social Europe' – indeed the effect of the European response has been to dismantle many of the social protections that used to be considered the pinnacle of European achievement.

[6] Data up to 2012 is only available for Ireland.

Seven Countries – Policy

Financial Assistance Programmes and EU Governance

Since the outset of the financial and economic crisis, some EU Member States have been pursuing strict retrenchment or austerity policies on the basis of Memoranda of Understanding (MoUs) with the 'Troika' composed of the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF) in return for financial assistance. Six of the seven countries with which this report is concerned (Cyprus, Greece, Ireland, Portugal, Romania and Spain) have entered into financial assistance packages. There are differences in the types of arrangements entered into and some countries have now exited these arrangements. Notably the arrangement for Spain focused on bank recapitalisation and the current arrangement in Romania is precautionary and it is not intended to be drawn down.

The current position of the six countries can be summarised as follows:

- **Cyprus** has been availing itself of a programme since April 2013 covering the period to 2016, which amounts to €10bn.
- **Greece** is in receipt of a second financial assistance package since 2012 providing for €164.5 billion until the end of 2014. Finance for the second programme was provided by the EFSF on behalf of the euro area Member States. Additionally, there was a restructuring of privately-held bonds which imposed losses on investors. The first package had been made available in 2010.
- **Ireland** exited the financial assistance programme in December 2013 and is now subject to post-programme surveillance until 75% of the financial assistance received has been repaid (to last until 2031). The Irish programme had been agreed in 2010 amounting to €85 billion, including an Irish contribution (€17bn) from the National Pension Reserve Funds.
- **Italy** has been going through a prolonged recession and was subject to the EU's Excessive Deficit Procedure between 2009 and 2013. Italy exited this procedure in 2013. One difference between the balance of measures undertaken in countries like Greece, Ireland and Portugal is that in Italy, while there have been cuts to expenditure, the composition of adjustments involved more tax increases than cuts in expenditure (European Commission, 2014d).
- **Portugal** exited the financial assistance programme in May 2014. It had been in place since 2011, amounting to €78 billion. However, at the end of May, Portugal's Supreme Court struck down several austerity measures provided for in the government's 2014 budget, creating a fiscal gap of about 700 million euros.
- **Romania** is availing itself of a third financial assistance package; this is a precautionary facility agreed to provide €4 billion between October 2013 and September 2015. Romania does not intend to request disbursement (European Commission, 2014e). The first programme (2009-2011) provided financing of €20 billion. The second programme (2011-2013) provided precautionary assistance of €5 billion and was not drawn upon. There is also support from the World Bank.
- **Spain** exited the financial assistance programme for recapitalisation of financial institutions in January 2014. It had been agreed in July 2012 and provided up to €100 billion. The total disbursed was €41.3 billion, of which only close to €38.9 billion was used for bank recapitalisation and the remainder for capitalising Sareb (the Spanish asset management company) (European Commission, 2014k). The current[7] Excessive Deficit Recommendation for Spain prescribes a deficit of 6.5% of GDP by 2013, with a gradual reduction in subsequent years towards a public deficit below 3% of the GDP limit (2.8%) in 2016 (Kingdom of Spain, 2014).

Thus three countries remain subject to the terms of MoUs with the Troika - Cyprus, Greece and Romania - and post-programme surveillance is in place for Ireland, Spain and Portugal. All of these countries, other than Romania and Italy, are also in Excessive Deficit procedures. The deadlines for exiting the Excessive Deficit Procedure are, respectively, 2015 (Ireland and Portugal) and 2016 (Spain, Greece and Cyprus). Romania and Italy exited the Excessive Deficit Procedure in 2013.

On an ongoing basis all seven countries are subject to the EU's new governance rules described above and enshrined in the Stability and Growth Pact with their 'preventative' and 'corrective' arms and with the Fiscal Compact. (See **Glossary** for an explanation of the terms Excessive Deficit Procedure and Fiscal Compact).

Additionally, all seven countries, including Italy, are members of the International Monetary Fund, and as such are subject to its formal surveillance. The IMF is additionally part of the Troika and is involved in the joint ongoing supervision of financial assistance programmes agreed with Cyprus, Greece and Romania and the post-programme surveillance of Ireland, Portugal and Spain.

A recent report prepared for the European Parliament attempted to assess the success of the packages in Greece, Ireland, Portugal and Cyprus (Sapir *et al*, 2014). Because of the sheer size of the

[7] This represents a two year extension for this correction, which was issued in June 2013 (European Commission, 2014k).

documentation relating to the packages and the fact that the emphasis of the documentation shifts over time (there were over 4,000 pages cumulatively in the European Commission documents for the four countries at the time the report was written by Sapir and his colleagues), they took a novel approach to attempting to gauge some specific aspects of the conditions imposed in return for financial assistance. They looked at the frequency with which certain keywords appear in the documents prepared by the Commission for Greece, Portugal, Ireland and Cyprus. Words like 'fiscal', 'consolidation', 'reforms' and 'business' figure heavily throughout the documents; words like 'poverty', 'inequality' and 'fairness', on the other hand, rarely feature[8] (Sapir *et al*, 2014).

They also examined the three broad areas that tend to be addressed in the Commission documents:

- measures aimed at reducing public debts and deficits,
- financial measures aimed at restoring the health of the financial sector, and
- structural reforms intended to enhance competitiveness.

One of their conclusions is that in Greece, Ireland and Portugal (and leaving Cyprus aside since it is too early to look at outcomes), the fall in domestic demand was bigger than anticipated and, as a result, unemployment increased by much more than anticipated.

Seven Countries – Social Policies Pursued

Cyprus: The *Caritas Crisis Monitoring Report, 2014*, outlined key features of the social and economic position in Cyprus and of its banking sector. When the financial crisis struck Cyprus had an oversized and weak banking sector which started to lose deposits from mid-2011. The country's general gross debt grew rapidly from 2008 (when it had been close to 50% of GDP) some of which can be explained by the government injecting capital into the banking sector.

The *Caritas Crisis Monitoring Report, 2014* detailed many policy changes implemented since 2011 including measures agreed with the Troika. Measures taking effect for 2012 (in an amended budget) and 2013 were incorporated into law after consultation with the Troika according to the Memorandum of Understanding or MoU (European Commission and Republic of Cyprus, 2013). Minimising the impact of consolidation on vulnerable groups is stated in the MoU as an objective. However, a very extensive range of consolidation measures was included in the Memorandum of Understanding entered into with the European Commission (on behalf of the EMF). Here we summarise some key points:

- Ongoing fiscal consolidation aiming to achieve a general government primary deficit of not more than 2.4% of GDP in 2013
- Reduction in the growth in expenditure on public sector wages (freezing of increments and reduction in the numbers employed), social benefits and discretionary spending and controls of healthcare expenditure
- Changes in taxation such as increased VAT, increased excise duties on energy and other products, increases in property tax, corporate tax, tax on interest, bank levy on deposits as well as reforming the effectiveness of tax collection and administration
- Increased fees for public services
- Reduced expenditure on various housing schemes
- Scaled reduction in emoluments of public sector employees and pensioners
- Changes in the educational system
- Structural changes to the pension system including an early retirement penalty and gradual increases in the statutory retirement age and limits placed on the Easter Allowance
- Compulsory health contributions from public servants and public servant pensioners as a step towards introducing a system of universal coverage
- A range of measures on healthcare including increased fees for some medical services but also a planned implementation of a national health system
- Developing a privatisation plan for state-owned enterprises (Cyprus has over 60 state-owned enterprises operating in commercial and other sectors)
- Changes to welfare provision involving merging and phasing out some benefits (for example, mothers' and other family allowances abolished, so too educational allowances) and targeting of some social transfers to reduce total the number of beneficiaries; measures being planned include the introduction of a guaranteed minimum income aimed at protecting those most in need

[8] Although in the case of Greece 'poverty' featured somewhat more as time went on and the problem became more acute.

- Reduced spending on social transfers of €113m in 2013 and by €28.5m in 2014
- A range of reforms and restructuring of the banking sector
- Measures aimed at improving public administration such as longer working times in the public service (European Commission and the Republic of Cyprus, 2013; European Commission, 2014g).

Legal changes had to be made to facilitate privatisation and to transpose EU Directives providing for fiscal oversight, including implementing the Two Pack and the Fiscal Compact and setting up a Fiscal Council (European Commission, 2014g). During 2013 government spending declined under all primary headings except social transfers, where the increase in unemployment required increased spending (European Commission, 2014g).

The implementation of the National Health System has been postponed from end 2015- mid-2016, although some parts are planned for introduction on a phased basis from mid-2015 (European Commission, 2014g). Work has started on the design of the new Guaranteed Minimum Income measure, although some deadlines have been missed in relation to this – it was intended for introduction during 2014. In the opinion of Caritas Cyprus, this reform of social policy based on the introduction of a Guaranteed Minimum income, guaranteeing an income sufficient to live on (provided certain conditions are met), is the most helpful policy direction of recent times and should provide an income to thousands of people not covered by the existing welfare system and therefore not receiving any help from the state of any substance (2014). Amongst the least helpful policy directions of Government, Caritas Greece points to tax increases such as the increase in indirect taxes like VAT and excise duty.

GREECE: Greece has been undergoing what the International Monetary Fund described as 'one of the deepest peacetime recessions to afflict an advanced economy' and the adjustment has been one of the largest by international comparison (IMF, 2013b; IMF, 2013c, MEFP) pursuing policies which have been characterised as bringing 'nothing short of economic disaster and social catastrophe' (Antonopoulos *et al*, 2014, p.14). The European Commission review published in April 2014 referred to a 'social emergency' (2014h, p.50).The country has been characterised as in a vicious cycle of recession and debt, whereby austerity leads to recession, which in turn produces even larger deficits and debt, which in turn prompts calls for more austerity (Schwenninger, 2011 cited in Karger, 2014). Greece lost a total of 23% of its GDP between 2008 and 2013 (De Agostini *et al*, 2014). Total household income in Greece dropped by one-third between 2007 and 2012, with average losses of some 4,400 Euros per person, representing the biggest fall in the OECD and four times as big as the loss recorded in the average Eurozone country (OECD, 2014a). According to the European Commission, labour costs have fallen steeply and compensation per employee fell by 4.2% in 2012, was forecast to decline by 7.0% in 2013 and by a further 1.5% in 2014 (2014h).

The *Caritas Crisis Monitoring Report, 2014*, outlined key features of the social and economic position in Greece before and since the crisis, and of measures introduced since 2010. These very significant measures have been introduced against a backdrop of an underdeveloped social policy system characterised, amongst other things, by delayed development of universal welfare policies, the underdevelopment of social assistance and social care services, poor unemployment protection, administrative inefficiency and non-existent family policy (Venieris, 2013). An OECD review found that, in Greece, social welfare expenditure is low by international comparison and that expenditure on social welfare (excluding pensions and health) is a relatively small part of government expenditure (OECD, 2013a).

Greece has entered into a Memorandum of Understanding setting out the conditions attached to the financial assistance, the latest update of which was signed on 7 December 2012 (Government of Greece, 2012). The extent of the changes undertaken in Greece since 2010 is detailed in the *Caritas Crisis Monitoring Reports*, 2013 and 2014. The changes stipulated in the Memorandum of Understanding comprise a very wide range of areas that includes:

- Privatisation of state-owned companies (sectors include utilities, transport, mining)
- Changes in taxation (personal and corporate)
- Changes in public service employment (including significant reductions in numbers – 150,000 target for 2015 by reference to end-2010 - and a mobility scheme to facilitate redeployment and exit)
- Changes in pension provision
- Changes in the health sector (aiming for expenditure of 6% or less of GDP) including transfer of staff to the mobility scheme
- Changes in primary, secondary and tertiary education
- Extensive labour-market liberalisation including changes in wage-setting frameworks
- Activation measures aimed at unemployed people
- Recapitalisation of banks and changes to the frameworks within which banks operate
- Reform of public administration and changes aimed at improving management
- Reforms aimed at supporting businesses and encouraging economic activity.

The *Caritas Crisis Monitoring Report, 2014*, specified the types of actions taken relating to the above headings. They include very significant changes in public sector pay and conditions. As reported by the European Commission in April 2014, there has been a 20% reduction in public administration staff of the General Government since 2010 and the government is considered to be on track to decrease these numbers by the targeted 150,000 places ahead of the deadline in 2015 (2014h). The transfer of 25,000 employees to the mobility scheme has also been completed. There have been reductions in social benefits (including in unemployment benefit and pensions) as well as stricter conditions on the availability and abolition of some benefits (such as third child benefits) as well as means-testing of others. There have also been increases in social insurance payments for workers and pensioners, increases in taxation, including in VAT and in excise duties on fuel (amongst other things). Other changes include the privatisation of state-owned companies (such as utilities) and changes to public administration including taxation systems.

There have been reductions in the minimum wage (especially drastic for younger workers), changes to the system of collective bargaining and greater flexibility introduced in employment conditions (like the easier termination of contracts), cuts to and restrictions in access to pensions. In the *Caritas Crisis Monitoring Report, 2014*, Caritas Greece reported how changes in the labour market have led to greater work insecurity, more part-time jobs or rolling working agreements, all of which have greatly affected the security and earnings of the workers affected.

There have been cuts in education and health. Significant cuts in healthcare have led to concern about impacts on the health of the Greek population (OHCHR, 2013). People who are long-term unemployed also lose their health insurance cover, and in 2013 those estimated to be in this position numbered 800,000 (Social Protection Committee, 2013).

In 2013 there were major amendments to personal income tax (for workers, pensioners, self-employed and other categories) including a new unified property tax which has been in force since January 2014 (De Augustini *et al*, 2014; European Commission, 2014h). The taxation administration processes have been reshaped over the past year but weaknesses in the tax collection system remain. In the two previous *Caritas Crisis Monitoring Reports*, we reported how continuing tax evasion by some sectors had reduced public support for austerity measures (IMF, 2013a; 2013c). The European Commission has recently noted that a series of reforms that should impact on this area are now being implemented, including a new code implemented from January 2014 (2014h). However, it is clear that improvements are still needed to combat tax evasion, as well as in confronting vested interests (such as in a range of professions), and indeed in tackling corruption (European Commission, 2014h). An issue currently receiving attention is the high levels of indebtedness to the Greek State – in the first half of 2014, debts owed to the state amounted to 6.225 billion Euros and this added to debts accumulated by the end of 2013, which means that the amount of overdue debts reached 67.25 billion Euros (Kalmouki, 2014).

There are now plans for a moderate increase in spending (European Commission, 2014h). Thus there has been some effort to widen the scope of unemployment benefits to the long-term unemployed, and to widen access of the uninsured. However, a large proportion of the long-term unemployed remain ineligible for the extended assistance (European Commission, 2014h). There have also been efforts to extend access to health services through health passports. Caritas Greece points to the fact that while narrow economic indicators show some improvement, there has been insufficient action to address the situation of people experiencing extreme poverty and people at risk of poverty and social exclusion (2014). Through its Elpis (or 'Hope' project), in particular, Caritas Greece observes a constantly increasing need for distribution of basic food supplies and clothing to a very large part of the population amongst both Greek people and immigrants. The number of Greek people that avail themselves of the social common meals has, in the observation of Caritas Greece, increased at an exponential rate - many of these people were until recently successful freelancers but now have no money to satisfy their basic living needs. Within the past year, in particular, Caritas Greece has pointed to serious reductions in both income and purchasing capacity affecting all those on low wages, including the working poor, pointing in particular to the hardship caused by increased electricity charges and transport costs, including the costs of tolls (giving an example of the toll rates to travel from Athens to Thessaloniki and return - approx. 502km - at more than 56 Euros) (Caritas Greece, 2014).

In 2014 there were plans for a one-off social dividend and for the introduction of a minimum income guarantee scheme on a pilot basis in two municipalities (European Commission 2014h). Government planned its start in thirteen municipalities from October 2014 (Caritas Greece 2014). The phased roll-out of the guaranteed minimum income scheme is to start in 2015 but is described as dependent on financing (European Commission, 2014h, p.51). Caritas Greece points to the social dividend, as well as spending on homelessness and the provision of free health services under certain conditions to people insured by specific insurance organisations as amongst the most welcome recent initiatives (2014).

The first phase of a public works scheme with 50,000 places has started and another of a similar size is planned. There are also measures financed with EU Structural funds to recruit young and long-term unemployed. The European Commission called for a good roll-out of the Youth Guarantee scheme by December 2014 to facilitate the much needed transition from school to work (European Commission, 2014h, p.51).

IRELAND: The *Caritas Crisis Monitoring Reports*, 2013 and 2014, outline the economic situation in Ireland prior to 2008. In the 2000s, government borrowing was low but access to international funding, especially from Europe, inflated bank assets to some 500% of GDP and fuelled an enormous property bubble. A collapse in construction and in property prices and the resulting tax revenues and a rise in unemployment precipitated a crisis from 2007 on. The Irish government guaranteed the debts of its banks and this led to taking on an enormous general government debt and having to seek assistance from the Troika composed of the EU, the IMF and the ECB in 2010.

Since 2008 there have been nine 'fiscal adjustments' and Budget 2015 will be the tenth, taking in total almost €31 billion out of the economy through either tax increases or spending cuts – with more expenditure cuts than tax increases based on a 2:1

ratio. Ireland exited the bailout in December 2013 and is considered by many to have done well in meeting its targets, but many problems and challenges still remain.

The original Memorandum of Understanding was entered into with the Troika in November 2010 (Ireland, 2010) and set out the measures to be adopted for subsequent years, including consolidation measures like increases in taxes and reductions in current expenditure (including social protection cuts, reduced public service employment numbers, reduced public service pensions and reductions in capital expenditure). There were also measures focused on the financial sector, such as recapitalisation of the banking system. Structural measures were also included, such as an increase in the qualifying age for the state pension and a reduction in the minimum wage (the latter was subsequently overturned by a new government).

The *Caritas Crisis Monitoring Reports*, 2013 and 2014, outline many of the measures that have since been implemented. They include reductions in a broad range of social transfers (such as jobseekers and child benefit) and changes in the conditions attached to some benefits, cuts to public services (such as education and health and community services), cuts in public pay and pensions, charges introduced for public services (such as school transport and drug prescriptions). Taxation changes include introduction of a Universal Social Charge, a residential property tax, increases in VAT and changes in social insurance contributions.

Even though Ireland has exited the 'bailout', the fiscal target for 2015 presented in the 2014 stability programme provides for €2 billion (1.1% of GDP) in new consolidation measures, intended to bring the underlying government deficit to 2.9% of GDP (European Commission, 2014n). Details of the measures planned to meet the expenditure cut of €2 billion have not been announced but the stability programme indicates that one-third of the adjustment will come from increased revenue side and two-thirds from further cuts to expenditure, which continues the approach pursued to date (European Commission, 2014n). A significant proportion of cuts that had been planned for the health services during 2014 (approximately €600million) have been deemed unachievable – amongst the measures that have been dropped is the removal of discretionary cards from people with long-term illnesses - something that had caused a great deal of hardship to those affected. One measure in planning involves a new water utility and charges for water. Meanwhile, legislation to reform the delivery of legal services is delayed in implementation.

Continued austerity is envisaged under current government projections, so as to achieve a balanced budget in structural terms in 2018 (under the Fiscal Compact) which will require a reduction of the headline deficit by around 1 percentage point of GDP annually from 2016 to 2018 (European Commission, 2014n).

In terms of policy changes that have impacted on the lives of vulnerable people within the past year or so, *Social Justice Ireland* points in particular to changes in health and in welfare (Social Justice Ireland, 2014). In the area of health care, and as already referred to above, the implementation of a review of discretionary medical and GP cards was introduced to save money in the health budget and has had an extremely negative impact on people with acute and lifelong illnesses. Although it has been announced that the decision has been reversed, savings continue to be sought in health spending and, therefore, it is likely that health services will continue to be reduced and those reliant on frontline health services will continue to suffer. Furthermore, the very significant increase in prescription charges introduced in Budget 2014 (from €1.50 to €2.50 per item) represents a significant additional cost to many people, especially those with medical conditions requiring several different medicines and older people. This, along with a further increase in the threshold in the Drug Repayment Scheme, will cause some people to do without medicines they need – something that is counterproductive in the longer term (Social Justice Ireland, 2014).

In relation to welfare payments, reducing the jobseekers allowance payable to young people aged 22-24 (from €144 to €100 per week) and for those aged 25 (from €188 to €144 a week) is pushing them into either poverty or emigration (Social Justice Ireland, 2014). As will be seen below, Ireland already has high rates of youth unemployment and of young people at risk of poverty.

In the area of housing, *Social Justice Ireland* (2014) points to the development of a Housing Assistance Payment to replace rent supplement as a potentially welcome move within the past year or so, that could ensure better quality and more secure accommodation for tenants, and reduce the risk of the poverty trap associated with rent supplement (as people will pay differential rents to allow them to proceed to employment while retaining some of their housing support benefit).

ITALY: The Caritas Crisis Monitoring Reports, 2013 and 2014, outline the economic situation in Italy prior to 2008, characterised by stagnating growth and very high levels of public debt, factors which left the country vulnerable to the economic crisis. Those reports set out many of the measures that have been taken by successive Italian governments since 2008 including those taken by the Mario Monti government as it sought to comply with the requirements of the EU's Excessive Deficit Procedure.

However, as the *Caritas Crisis Monitoring Report*, 2014 noted, the social welfare system was neither well placed to deal with the impact of the crisis nor of the austerity measures that followed. In particular, the lack of a nationwide system of minimum income leaves many workers with no safety net if they lose their jobs. A range of measures have been introduced since 2008, and are summarised in the Caritas Crisis Monitoring Reports, 2013 and 2014. They include significant changes in the pension system (including an increase in the retirement age), de-indexation of pensions, cuts in health and education, reductions in public sector employee numbers and a range of increased taxes including increased social insurance contributions. There have also been changes in labour market policies.

The Letta government also introduced some measures intended to address the problem of poverty and growing social problems. A universal tool to fight poverty - SIA (Sostegno per l'Inclusione Attiva) - is proposed but has not been implemented. But a 'new social card' was introduced as a step in the direction of the SIA (European Parliament, 2014). However, a report prepared for the European Parliament notes that the €800 million allocated for 2014 to the fight against poverty is still far less than has been estimated as necessary to introduce a partial minimum income for people in a state of absolute poverty (European Parliament, 2014).

Significantly, the current government is seeking to reduce its target for this year's spending cuts by a third, and is seeking more budget flexibility from the European Union (Reuters, 2014).

Caritas Italy (2014) notes that some new measures have potential for ensuring greater effectiveness of social transfers, notably through better targeting of benefits especially for low-income households with children. These include:

- the new Isee (Equivalent Economic Situation Indicator), which takes account of income, assets and characteristics of the family to determine the contribution required for using public services. A new reformed Isee entered into force on February 2014, but is still not operational.
- The *New Social Card*: introduced in 2012 on an experimental basis in some cities, and subsequently extended to the whole country (using EU funds). It aims to support families that have serious difficulties making ends meet. But implementation is delayed and after more than two years, only a few families have benefited.

Another measure with potentially positive impact relates to the Italian Partnership Agreement for the programming of the new round of EU funds, 2014-2020, which pays particular attention to a better use of resources by southern regions and provides for the establishment of a new agency to support authorities involved in the management and evaluation of complex procedures.

In the experience of Caritas Italy, the situation of older people shows some improvement due to the fact that the Italian government has not reduced the amount of pensions and has introduced new measures to index pensions to the cost of living (Caritas Italy, 2014).

Amongst recent government policies considered least helpful, Caritas Italy points to an increase in the VAT rate from 1 October 2013, something that will have a disproportionate effect on lower-income families. A new composite service tax (IUC) which also applies to tenants could also worsen the conditions of the poorest families. Caritas Italy argues that unless special measures protect them, the IUC will worsen the situation of the poorest households (2014). Caritas Italy is also concerned about the operation of a scheme intended to support workers affected by reduced working hours and temporary suspensions of work (CIDG) for which insufficient funding was allocated in 2013 and which may be insufficiently funded in 2014.

PORTUGAL: Portugal experienced low growth for many years before the crisis of 2008 when a drop in revenue led to a rise in government debt. A very wide range of measures have been taken since 2009 and these are summarised in the *Caritas Crisis Monitoring Reports*, 2013 and 2014, which also outlined key features of the social and economic position in Portugal before and since 2008.

The original Memorandum of Understanding dates from May 2011 (Portugal, 2011) and there have since been several updates to the original document. It made reference to the protection of vulnerable groups but provided for a range of consolidation measures. Amongst the measures included were:

- Reduction of the government deficit to 3% of GDP by 2013; (Note, this was subsequently extended, with the current target being 2.5% of GDP by 2015 (European Commission, 2014L))
- Changes to public administration
- Reductions in education spending and rationalisation of the schools' network
- Decreasing public wage spending
- Control health spending and increase of moderating fees
- Reductions in pensions
- Reduce spending of public bodies
- Reduce costs in state-owned enterprises
- Changes in the unemployment insurance system including reducing the maximum duration of unemployment benefits, capping benefits but also a reduced minimum contribution period
- Changes in labour market legislation
- Changes in taxation including increases in personal tax, property tax, VAT and excise duties
- Increasing measures to tackle tax evasion
- Measures to increase banking regulation and supervision and also increased support to banks (including issuance of government guaranteed bank bonds for up to €35 billion for the banking sector)
- Acceleration of the government's privatisation plan for state-owned enterprises (Portugal, 2011)

The *Caritas Crisis Monitoring Reports* for 2013 and 2014 specified a very broad range of measures introduced since 2009 which illustrate the kinds of policies pursued. Measures taken include reductions in social transfers such as unemployment assistance and family benefit and tightening of eligibility criteria for social payments. There have also been increased tax rates in personal taxation, property tax, increased indirect taxes such as excise duties (on gas, tobacco and alcohol), and the introduction of an 'extraordinary solidarity contribution' on pensions. Action was taken to remove rent controls (intended to stimulate the construction industry).

Expenditure in the national health sector in 2013 was about 15% lower than in 2010 (about €1.3 billion) (European Commission, 2014L). At the end of 2013 public sector employment was about 8% below the 2011 level (European Commission, 2014L).

The 11th Review by the European Commission (April 2014) of compliance with the terms of the programme notes a number of more recent developments, including a new General Public Administration Labour Law, the so-called 'convergence diploma', which seeks to align the rules for public sector pensions with those of the general social security system, and measures addressing public employment, such as a terminations scheme by 'mutual agreement' (European Commission, 2014L). There have also been changes in relation to the operation of the labour-market, including a draft law revising the definition of individual fair dismissals, changes to job counselling/job search assistance and activation/sanctions systems, and there are proposals related to changes on wage flexibility, including on the expiration and survival of collective agreements.

The government plans to implement measures totalling 2.3% of GDP in 2014 (European Commission, 2014L). In order to make this adjustment, the framework for the public expenditure review (PER) envisages a range of measures focusing mainly on the provision of public services, and is estimated to encompass consolidation measures worth €3 billion (1.8% of GDP) in 2014 (European Commission, 2014L). The PER measures focus on three main areas:

1. reduction of the public sector wage bill by, amongst other things, reducing employment in some sectors and a revision of the wage scale;
2. pension changes, notably by increasing the retirement age to 66 years and introducing changes to the conditions for granting survivors' pensions; and
3. sector-specific reforms mainly in certain Ministries.

In the education sector, there are plans for rationalisation of the school network and a reduction in the teacher/pupil ratio. Changes in health are also envisaged including in hospitals (European Commission, 2014L). Some revenue-raising measures are also envisaged, including higher excises for tobacco and alcohol and a special levy on energy operators and an increase in the corporate tax rate on expenses related to company cars (European Commission, 2014L). For 2015 further savings are envisaged in a range of areas, including further reorganisation of state-owned enterprises including privatisation of some public service operations. Furthermore, public sector employment reductions will impact, as well as increased contributions to the public sector's health system and the termination of teachers' contracts by 'mutual agreement', the majority of which were scheduled to take effect in September 2014 (European Commission, 2014L).

It is notable that the courts in Portugal have struck down austerity measures from time to time. Recently, for example, measures relating to pensions were overturned by the Constitutional Court in December 2013 (these have since been reframed) and in May 2014 several measures provided for in the government's 2014 budget were struck down, including salary cuts in the public sector, creating a fiscal gap of about €700 million (European Commission, 2014L).

Caritas Portugal continues to be concerned about the severe reductions in health, education and social protection budgets in recent years, along with outsourcing of services by the state, all of which in their experience have had a very negative effect on the most vulnerable people in recent years (Caritas Portugal, 2014). Caritas Portugal points to one helpful action taken in recent times by government – opening a specific credit line for social institutions to enable restructuring and continued social services' provision to the population. This measure has allowed many social institutions to survive and readapt (Caritas Portugal, 2014).

ROMANIA: The *Caritas Crisis Monitoring Report, 2014*, outlined key features of the social and economic position in Romania and lists many policy changes implemented since the onset of the crisis, especially since 2010. These include measures agreed with international bodies. Amongst the measures taken have been reductions in welfare payments (child-raising allowance and unemployment benefit) and changes in facilities made available to pensioners. There have been reductions in the public wage bill, a freeze in pensions, a series of planned privatisations of public transport and energy companies, amendments to healthcare legislation, increased prices for utilities, and changes in taxation including an increase in the standard rate of VAT. There has also been an increase in the minimum wage.

The provision of the latest precautionary facility from the European Union in autumn 2013 was conditional upon the implementation of a comprehensive set of measures set out in a Memorandum of Understanding (MoU) of November 2013. In the case of Romania (and unlike other programme countries, Cyprus and Greece), the existence of the commitments in the MoU are additional to a series of country-specific recommendations addressed to the country in the context of the European Semester.

Amongst the measures included in the November 2013 MoU are:

- A reduction in the structural budget balance by at least 0.5% per year (till it reaches a level of 1% by 2015)
- Limiting wage growth and employment in the public sector
- Equalising pensions between men and women
- Continuance of deregulation of gas and electricity markets including deregulation of prices

- Stepping up restructuring of state-owned enterprises including privatisations in utility and transport companies
- A review of labour taxation with a view to reducing the tax burden on work for low and middle-income earners[9]
- Measures aimed at improving the business environment aiming, for example, to reduce the administrative burden on SME's and to increase their access to finance
- A series of measures aimed at improving the public administration process including improving tax collection and public debt management; there are also measures aimed at the reform of banking and finance (European Union and Romania, 2014; European Commission, 2013c).

A letter of Intent issued by the Romanian Government to the International Monetary Fund in March 2014 provides further detail on these commitments and includes:

- A commitment to 'stimulate the business environment' by reducing the social contribution rate (Government of Romania, 2014, p.6);
- A range of changes to healthcare provision including a new 'minimum health package' aiming to provide prevention services and treatments to the uninsured population' and a 'basic health package' aimed at the insured population and a shift from hospitalisation to out-patient services; there is also an emphasis on rationalisation for greater efficiency and on reducing payment arrears associated with budget overruns (2014, pp.12,13); Implementation of a National Job Plan and a Youth Guarantee Implementation plan (the latter includes measures intended to qualify for support under the Youth Guarantee Initiative) (Government of Romania, 2014).

The Letter of Intent also makes it clear that the government has temporarily reduced VAT on flour and bakery products; something that has had to be offset by other tax generating measures and that was to be reviewed during 2014 (Government of Romania, 2014).

A study which used the EUROMOD simulation model to look at the effect of government policy changes from 2012-mid2013 showed that in Romania there was a positive impact across all or most of the income distribution with those at the bottom of the distribution benefiting most in proportional terms from the changes in the most recent year (De Agostini *et al*, 2014). Caritas Romania instances improvements for some groups within the past year or so, arising from measures to increase the income of the poorest people. These include an increase in the minimum wage from July 2013 and a proposed increase in pensions from 2014 (although the minimum wage remains relatively very low) (Caritas Romania, 2014).

Caritas Romania points to measures agreed with the European Commission in August 2014, allowing for the start of absorption of structural funds in the next seven years as a potentially positive development referencing, in particular, measures to address poverty and social exclusion, measures focusing on education and lifelong learning as well as labour-market initiatives (Caritas Romania, 2014). Another positive measure they instance is a slight decrease in electricity charges. On the other hand, a number of recent measures are anticipated to indirectly have a negative effect on the incomes of poor people. These include increased excise duties on fuel, and increases in the cost of gas to industrial users (Caritas Romania, 2014).

In the opinion of Caritas Romania (2014), there is a lack of a coherent strategy for jobs and growth at a national level. The non-formal and the non-paid work sectors continue to expand, and economic migration remains significant and it adds new challenges for the social system with children left behind by working parents, and for older people with complex dependency needs. They point to a number of strategies being developed in 2014 which it is hoped will lead to a long-term vision related to these issues.

SPAIN: A housing-market and banking crisis led to a sovereign debt crisis in Spain and to a request for financial assistance to recapitalise the banks in 2012. Spain exited the bailout process in early 2014. The Memorandum of Understanding that the Spanish Government entered into focused mainly on changes to Spain's banking and financial sectors but it also required structural measures to be planned that would enable the country to reduce its budget deficit to within the targets set under the Excessive Deficit Procedure[10] and to comply with the country-specific recommendations that would be issued in the context of the European Semester (Spain, 2012; European Commission, 2013d).

The *Caritas Crisis Monitoring Reports*, 2013 and 2014, outlined key features of the social and economic position in Spain and lists many policy changes implemented since the onset of the crisis especially since 2011. We reported there on a series of changes to pension arrangements, many of which aimed at prolonging working-life and delaying access to benefits, and on measures aimed at curtailing health expenditure, including on long-term care. There were changes made to social welfare including to the conditions relating to unemployment benefit and job-search requirements. There were also many changes to child benefits including elimination of the universal birth grant and reductions in benefits, and various changes in child related benefits at regional level from 2008 to 2013 (De Augustini, 2014). There were cuts to the pay of public servants. Taxes, including VAT and excise duties were increased. There were a range of measures introduced in 2012 aimed at creating greater flexibility in the labour market and which included reductions in compensation for unfair dismissal and changes to procedures for collective redundancy. There have also been a series of measures aimed at modifying public administration and management.

[9] According to the European Commission, Romania places a relatively high burden on low and middle earners by comparison with other European countries; something that is a disincentive to work and that leads to working in the shadow economy (European Commission, 2013c).

[10] Originally targeting getting below 3% of GDP by 2014, but this was subsequently extended to 2016 (European Commission, 2014k)

During 2013, Spain cut expenditure on public sector employment, labour market policies, long-term care, regional measures and local government changes (European Commission, 2014j). Changes to pension arrangements were introduced at the end of 2013, aiming to curtail costs in the longer-term. For 2014 expenditure savings were planned again in many of these areas.

A new law from the end of 2013 focuses on education and its links with the labour market and also aims to address the significant problem of early school-leaving and the relatively low use of vocational education and training (European Commission, 2013j).

New labour market policies were adopted at the end of 2013 following an OECD evaluation and these included changes to activation measures, measures to foster part-time work and reducing administration, including the simplification of contractual arrangements (European Commission, 2014k). There have also been tax changes including on income tax, excise taxes and environmental taxes, VAT, social contributions and revenue measures at regional level. On the other hand, some key reforms (for example, as regards professional services and associations) have been delayed (European Commission, 2014j). The thrust has been to allow for a lowering of nominal and marginal tax rates and a move to indirect taxes. For the years 2013-2014 it was envisaged that the focus wouldl be on expenditure cuts with a view to keeping taxation low. The European Commission has referred to the risks inherent in this approach to expenditure both for growth and for vulnerable people (that is, in the case of indirect taxes, because indirect taxes affect everybody) (European Commission, 2014j, p.10).

A study, which used the EUROMOD simulation model, to look at the effect of government policies showed that, in Spain, households at the bottom of the distribution saw reductions in their income due to policy changes between 2012 and mid-2013 (De Agostini *et al*, 2014). The social protection system in Spain has been severely challenged to respond to growing social needs since the onset of the crisis and it is of particular concern that current plans stress cuts in expenditure. Furthermore, the current plans for more indirect taxes are of concern. It is known that increases in indirect taxes affect lower income households more than others – in one study (carried out between 2010 and mid-2012) indirect taxes have already been shown to make overall measures more regressive (that is, impacting more on lower-income households) and a significant impact was noted in Spain (Avram *et al*, 2013).

According to Caritas Spain (2014), amongst the policies adopted in recent times which are potentially beneficial are the Spanish Employment Strategy 2012-2014, aiming to increase participation in the labour market and reduce unemployment and the National Action Plan for Social Inclusion 2013-2016 (Plan Nacional de Acción para la Inclusión Social of PNAIS).

A main objective of the PNAIS is to 'improve the effectiveness of the protection system, directing it to the most vulnerable people' and to 'promote inclusion through employment'. Caritas Spain considers the objectives and proposed measures of the Youth Guarantee National Implementation Plan to be aligned with the PNAIS and with the Strategy for Young Entrepreneurship and Employment 2013-2016. Caritas Spain believes that a number of actions will be key to implementing the Youth Guarantee National Implementation Plan, such as skilled professional guidance, taking account of the diversity of situations and appropriate routes to employment. On the other hand, Caritas Spain also points out that accompanying these measures is a labour 'reform' that may negatively affect people, especially those in precarious work situations. Caritas Spain considers that the implementation of the Youth Guarantee must promote a general regulation of labour practices, providing participants with real training and guarantees, and avoiding replacing employment with other forms of contractual relationship. Caritas Spain wishes to see new foundations established on which to rebuild the model of job creation and that prevent the dramatic situations that are experienced at present due to the uncertainty and insecurity that currently prevail.

Key Economic and Social Impacts

Economic Impacts

In this section we examine economic trends by looking at the position of Europe, and especially of the seven countries, in terms of their growth in recent years and their levels of public debt.

As far as **growth in the economy** is concerned, 2013 was welcomed as the year showing the first tentative signs of economic recovery. See **Table 1**, below. In its March 2014 quarterly review on the Employment and Social Situation, the Commission acknowledged that the recent economic recovery has not yet been able to create new jobs and the social situation in the EU shows little signs of improvement so far (European Commission, 2014a). This review also points to an expected increase in poverty levels and a slight improvement in the effectiveness of social protection expenditure in 2013, although its impact is acknowledged as remaining very weak. The review stresses that the improvements in the EU labour markets are still feeble although employment showed the first signs of stabilisation in 2013.

The review also notes that in 2013, the gross disposable income of households continued to decline in the Euro area in real terms (although at a slower pace than previously) and that growth in households' disposable income is lagging behind GDP growth. The Commission notes the danger that the recovery will not benefit all parts of the economy equally, with a large part of households and individuals potentially benefiting only marginally, if at all, from the slightly improved economic situation (European Commission, 2014a). Another worrying trend noted in the review is the continuous increase in financial distress since 2010, with more and more of the population reporting the need to draw on their savings and, more recently, even to run into debt to pay for everyday living costs. At the end of the second quarter of 2014, the financial distress of households remained high and, most worryingly, does not show any sign of improvement for people in low income households (European Commission, 2014m).

Table 1, below, shows the recent changes in GDP for Europe as a whole as well as for the seven countries with which this report is particularly concerned, plus forecasts for 2014. As can be seen, there was a slight improvement in 2013 in the EU as a whole when GDP increased by 0.1% (EU-28) but GDP contracted by 0.4% in the Eurozone. In **Figure 1**, we show the GDP growth or decline on the previous year for the EU-28 countries in 2013 and in **Figure 2** we focus on the seven countries with which this report is concerned.

TABLE 1 | **Real GDP Growth Rate – volume (% Change on previous year)**

	2007	2008	2009	2010	2011	2012	2013	2014 f
EU (28 countries)	3.2	0.4	-4.5	2	1.6	-0.4	0.1	1.6
Euro area (18 countries)	3	0.4	-4.5	1.9	1.6	-0.7	-0.4	1.2
Cyprus	5.1	3.6	-1.9	1.3	0.4	-2.4	-5.4	-4.8
Greece	3.5	-0.2	-3.1	-4.9	-7.1	-7	-3.9	0.6
Ireland	5	-2.2	-6.4	-1.1	2.2	0.2	-0.3	1.7
Italy	1.7	-1.2	-5.5	1.7	0.4	-2.4	-1.9	0.6
Portugal	2.4	0	-2.9	1.9	-1.3	-3.2	-1.4	1.2
Romania	6.3	7.3	-6.6	-1.1	2.3	0.6	3.5	2.5
Spain	3.5	0.9	-3.8	-0.2	0.1	-1.6	-1.2	1.1

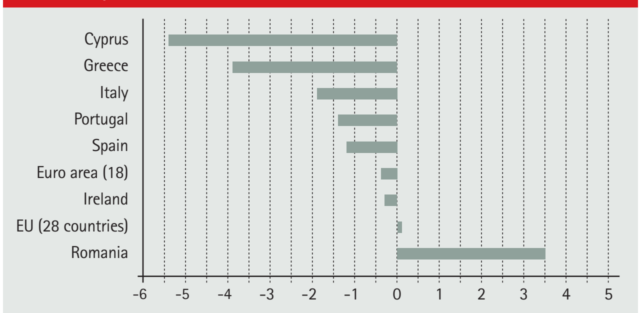
Source: Eurostat Online Database, Code: tec00115.
Forecasts (f) – Spring 2014 Forecast, European Commission, 2014c

As **Figures 1 and 2** show, there were contractions in GDP in 2013 in six of the countries under review in this report with Romania being the only exception. In Romania the rate of GDP growth (3.5%) was one of the EU's largest. By contrast, the decline was particularly marked in Cyprus (-5.4%) and Greece (-3.9%), but also in Italy (-1.9%), Portugal (-1.4%) and Spain (-1.2%).

FIGURE 1 | **GDP Growth, 2013 (% change on previous year): EU-28, EA18**

Source: Eurostat Online Database, Code: tec00115

FIGURE 2 | **Real GDP Growth rate – volume (% change) – Seven Countries, 2013**



Source: Eurostat Online Database, Code: tec00115

The short-term outlook for the EU economy remains fragile, despite a return to growth observed during some quarters of 2013. In the first three months of 2014, growth was described by The Economist (2014) as having gotten off to a disappointing start. GDP rose by 0.3% across the European Union (EU-28) and by only 0.2% across the Euro Area (EA18) by comparison with the previous quarter (Eurostat Newsrelease, 2014). However, by August 2014, concern had been emerging that even the economy of Germany, sometimes described as the 'growth locomotive' and 'stability anchor' for Europe was suffering (Reuters, 2014) with a contraction of 0.2% in GDP in the second quarter of 2014 (over the previous quarter) (Eurostat Newsrelease, 2014d). A similar level of contraction was also in evidence in Italy. Overall there was no growth reported in the Euro area at the end of the second quarter of 2014 and growth of 0.2% in EU-28 (over the previous quarter) (Eurostat Newsrelease, 2014d).

Data for the first quarter of 2014 suggests that, compared with the previous quarter, Cyprus and Portugal were amongst the European countries registering the most severe decreases (both -0.7%) and a decrease was also observed in Italy (-0.1%). Spain showed an increase of 0.4% and Romania an increase of 0.1% over the previous quarter (Eurostat Newsrelease, June 2014).

We now turn to examine the issue of **government debt**. In 2013, the government deficit of both the Euro Area (EA18) and the EU-28 decreased compared with 2012, while the government debt rose in both zones (Eurostat, 2014a). See Glossary for definitions of the terms 'government deficit' and 'government gross debt'.

The average government deficit to GDP ratio decreased from -3.6% in 2012 to -2.9% in 2013 in the Euro Area, and in the EU-28 from -4.2% to -3.2%. **Table 2** shows the position in relation to government deficits and surplus from 2006 to 2013 for the seven countries with which this report is concerned as well as for the EU-28 and the Euro Area. In 2013 nine Member States had deficits greater than 3% of GDP (according to Eurostat data from Nov. 2014). They included Greece, where, at -12.2%, there had also been a considerable worsening of the situation since 2012. They also included Ireland (-5.7%), Spain (-6.8%), Cyprus (-4.9%), and Portugal (-4.9%). The deficit for Italy (2.8%) was similar to the Eurozone average rate (-2.9%). For Romania it was -2.2%.

TABLE 2 Government Deficit/Surplus % GDP

	2007	2008	2009	2010	2011	2012	2013	2014 f
EU (28 countries)	:	:	:	:	-6.4	-4.5	-4.2	-3.2
Euro area (18 countries)	:	:	:	:	-6.1	-4.1	-3.6	-2.9
Cyprus	-1.1	3.2	0.9	-5.6	-4.8	-5.8	-5.8	-4.9
Greece	-6.1	-6.7	-9.9	-15.2	-11.1	-10.1	-8.6	-12.2
Ireland	2.8	0.2	-7	-13.9	-32.4	-12.6	-8	-5.7
Italy	-3.6	-1.5	-2.7	-5.3	-4.2	-3.5	-3	-2.8
Portugal	-4.3	-3	-3.8	-9.8	-11.2	-7.4	-5.5	-4.9
Romania	-2.2	-2.9	-5.6	-8.9	-6.6	-5.5	-3	-2.2
Spain	2.2	2	-4.4	-11	-9.4	-9.4	-10.3	-6.8

Source: Eurostat Online Database, Code: tec00127

The situation in relation to average government gross debt to GDP ratio worsened somewhat between 2012 and 2013. The ratio increased in the Euro Area from 89% at the end of 2012 to 90.9% at the end of 2013, and in the EU-28 from 83.5% to 85.4% (according to Eurostat data from Nov. 2014). **Table 3** shows the position in relation to government gross debt from 2006 to 2013 for the seven countries with which this report is concerned as well as for the EU-28 and the Euro Area. Very high levels of public debt are now a feature of six of the seven countries (Cyprus, Greece, Ireland, Italy, Portugal and Spain). Of these six countries, in 2013 the level was lowest in Spain but was still close to 100% of GDP; Greece had the highest level (174.9% of GDP). See **Table 3.**

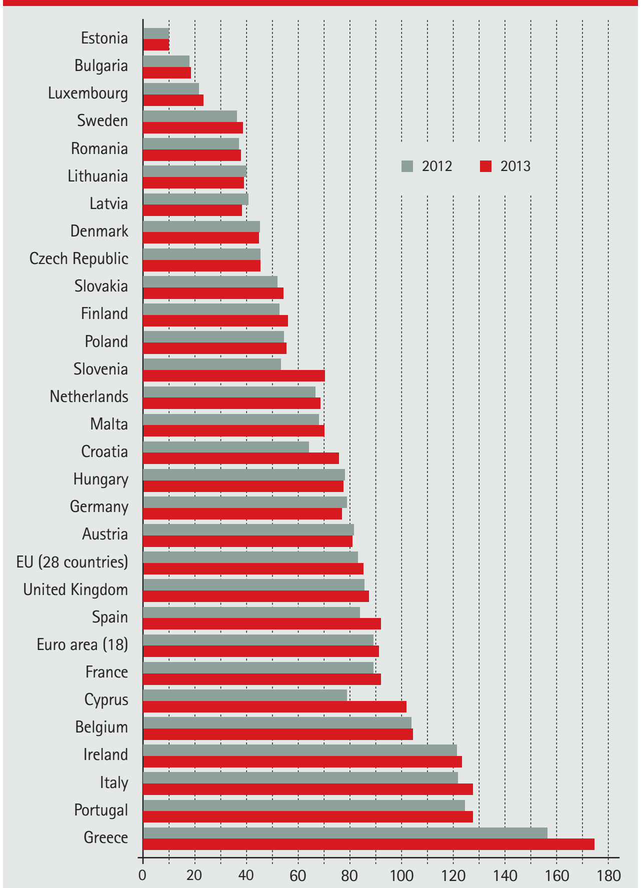
Looking at the EU as a whole, sixteen Member States had government debt ratios higher than 60% of GDP, with the highest rate registered in Greece (174.9%), Portugal (128.0%), Italy (127.9) Ireland (123.3%), and (following Belgium at 104.5%) Cyprus (102.2%). Romania was one of the countries in which, at the end of 2013, the lowest ratio of government debt to GDP was recorded (at 37.9%). **Figure 3** is a graph showing the position across the EU for the years 2012 and 2013.

TABLE 3 General Government Gross Debt, % GDP

	2006	2007	2008	2009	2010	2011	2012	2013
EU (28 countries)	:	:	:	:	78.2	80.8	83.5	85.4
Euro area (18 countries)	:	:	:	:	83.7	85.8	89	90.9
Cyprus	58.9	53.7	44.7	53.5	56.5	66	79.5	102.2
Greece	103.4	103.1	109.3	126.8	146	171.3	156.9	174.9
Ireland	23.8	24	42.6	62.2	87.4	111.1	121.7	123.3
Italy	102.5	99.7	102.3	112.5	115.3	116.4	122.2	127.9
Portugal	69.2	68.4	71.7	83.6	96.2	111.1	124.8	128
Romania	12.3	12.7	13.2	23.2	29.9	34.2	37.3	37.9
Spain	38.9	35.5	39.4	52.7	60.1	69.2	84.4	92.1

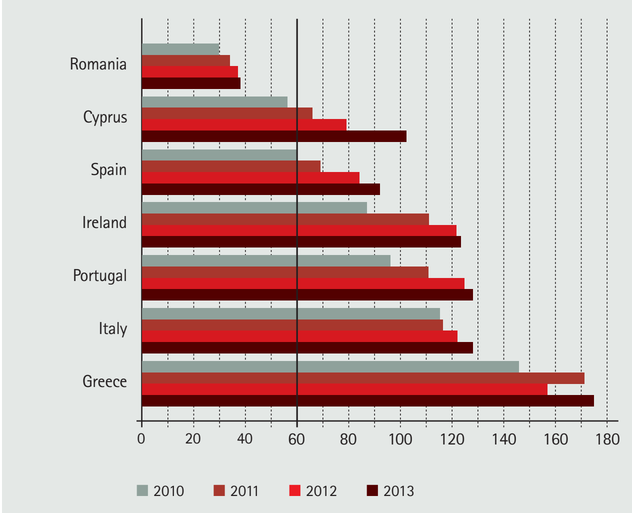
Source: Eurostat Online Database, Code: tec00127

FIGURE 3 | General Government Gross Debt, % GDP



Source: Eurostat Online Database, Code: tsdde410

FIGURE 4 | Government Gross Debt (% GDP) Seven Countries, 2010–2013



Source: Eurostat Online Database, Code: tsdde410

Figure 4 shows the position of Government gross debt of the seven countries with which this report is concerned from 2010 to 2013 and also the 60% debt brake required by the current EU economic governance rules. All except Romania had levels of debt that are considerably higher than the 60% figure permitted by the Stability and Growth Pact and all increased between 2012 and 2013.

Social Impacts

The situation of many households in Europe remains serious, as poverty and social exclusion are rising in most Member States, affecting particularly the working age population and, consequently, children. Young people are seriously affected by labour market exclusion: nearly a quarter of economically active young people in the EU are unemployed and, according to the Social Protection Committee (2014), their prospects remain bleak for 2014 at least. These challenges have been increasing until recently as the situation has worsened in many Member States and divergences between countries have been growing, especially within the Euro Area (Social Protection Committee, 2014). One of the potentially long-term effects of the crisis is likely to be in the area of demographic change as countries that were hit hard by the recession show reduced fertility rates in comparison with trends taking place before the recession - this points to a scenario of countries/regions ageing rapidly with social systems under pressure under the double impact of low-fertility and outward migration (Social Protection Committee, 2014). In a recent review, the OECD remarked that there are signs that the crisis will cast long shadows on people's future well-being and that some of the social consequences of the crisis, in areas like family formation, fertility and health, will only be felt in the long term (OECD, 2014). They point to families having cut back on essential spending including on food, which compromises their current and future well-being. A key role of social policies is to help individuals and families cope with the consequences of economic shocks and to prevent temporary problems from turning into long-term disadvantage – and it is recognised that income transfers, health care and other public services make major shocks both less likely and less damaging (OECD, 2014). The European Commission has noted that during the current crisis the reduction in social spending has been stronger than in past recessions, partly reflecting fiscal consolidation, and that in 2013 the stabilising impact of social benefits[11] remained well below the effects observed at the onset of the crisis (2007-2009) when social benefits had been the main contributing factor to the stabilisation of household incomes in Europe (2014b).

While it is difficult to distinguish the direct effect of the crisis from that of policy changes, it has been noted that the social consequences of the crisis could linger for years and cast long shadows over people's future well-being with short-term government savings possibly translating into much higher costs in the future (OECD, 2014).

In this section we examine the social impacts of the crisis and of the response to it setting out our comments under the following three pillars from the 2008 Commission Recommendation on active inclusion:

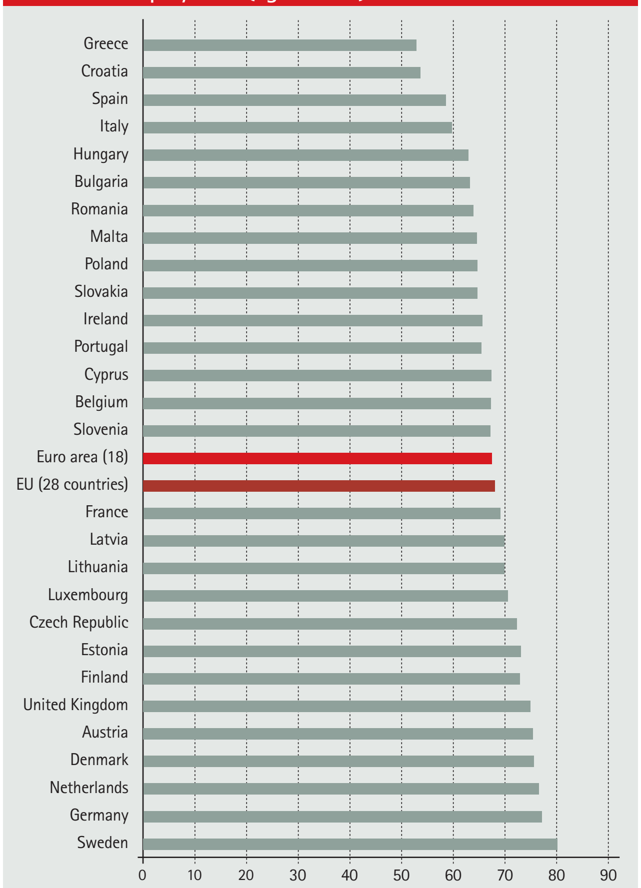
1. 'inclusive labour markets – ensuring effective help to enter or re-enter and stay in employment,
2. adequate income support – recognising ... [the] basic right to resources and social assistance sufficient to lead a life that is compatible with human dignity as part of a comprehensive, consistent drive to combat social exclusion, and
3. access to high-quality services – appropriate social support through access to quality services ... including ... services ... essential to supporting active social and economic inclusion policies' (European Commission, 2008).

Inclusive Labour Markets

The European Commission acknowledges that it is still too early to assess whether the recent signs of economic recovery will bring with it a significant increase in new jobs, and what type of jobs they will be (European Commission, 2014a). The unemployment rate remains historically high. Eurostat estimates that 25.471 million people in the EU-28 were unemployed in April 2014. Of them 18.751 million were in the Euro Area. Compared with March 2014, the number of persons unemployed had decreased by 151,000 in the EU-28 and by 76,000 in the Euro Area (Eurostat Newsrelease, 2014b). However, there has been a total increase of almost 8.4 million unemployed people since 2008 (that is, to December, 2013) (The Social Protection Committee, 2014). The labour market situation remains very difficult for young people (aged 15-24): youth unemployment remained close to historically high levels at 22.5% in April 2014, affecting around 2.5 million young women and 2.9 million young men in the EU (European Commission, 2014m). Young people also constitute the largest group in the EU population that is underemployed or who feel discouraged from looking for work. Amongst young adults aged 25-39, employment has constantly contracted since 2009 and the figures for the last quarter of 2013 confirm this trend (European Commission, 2014m).

The European Commission has noted evidence that since the onset of the crisis, job stability has decreased significantly especially for men and young people and that temporary employment has become less of a stepping-stone towards a permanent job (European Commission, 2014a). The IMF has noted how loss of a job is associated with persistent earnings' loss, adverse impacts on health, and declines in academic performance and earnings' potential - effects that become worse the longer a person is unemployed (Ball *et al*, 2013). All seven countries considered in this report are pursuing measures involving support to job-seekers and activation of some kind. The Independent Network of Experts on Social Inclusion found that the activation measures being taken among European countries are often not sufficiently targeted or tailored to meet the needs of the most vulnerable groups (Frazer & Marlier, 2009). A trend toward 'scare or motivation' has been identified as the main feature of activation measures, where loss of entitlement to benefits follows if an offer is refused (Abrahamson, 2010). According to Abrahamson (2010), this has also been associated with a trend toward marginalisation of some categories of people like ethnic minorities, youth, and people with disabilities.

FIGURE 5 | Employment (age 20-64); EU-28, 2013



Source: Eurostat, Online Database, Code t2020_10

[11] 'Social protection expenditure generally helps to stabilise the economy in bad economic times, since social benefits partly compensate for the decline in households' market income. Unemployment benefits typically have a stabilising function, as do means-tested benefits of various sorts (typically social exclusion, family or housing). Health and pensions expenditure play a role too, but to a lesser extent, since they generally increase (or remain constant), while market incomes decline' (European Commission, 2014a, p.42).

Figure 5 shows the employment rates across Europe in 2013. The 2013 EU average employment rate (68.3%) was 2.0 pps lower than in 2008 (70.3%) (Eurostat, online database, t2020_10). All the countries with which this report is concerned were below the European average rate. Greece was worst amongst the 28 EU countries and Spain and Italy also ranked close to the bottom (with Spain in 26th place, and Italy, 25th). Romania was ranked 22nd, Ireland 18th, Portugal 17th and Cyprus 16th. There are significant differences across Europe. For example, the difference between Sweden, which has the highest employment rate, and Greece, with the lowest, is more than 25 pps.

There are also significant changes in the nature of work and a growing tendency for greater precariousness of work situations across Europe. In the year to the third quarter of 2013, temporary employment grew by 1.6% or 390,000 workers, while permanent employment declined by 0.5% or 670,000 workers (European Commission, 2014a). When viewed over the last five years, full-time employment has decreased dramatically by 9.8 million (-5.4%). The share of part-time workers (of the total EU employees) has risen consistently in recent years, reaching 19.3% in the third quarter of 2013 (European Commission, 2014a). In Spain, for example, during 2013 full-time work decreased by 4.3% while part-time work increased by 6%, bringing the part-time employment rate to a historical peak of 15.8% (Kingdom of Spain, 2014). In Italy between 2008 and 2013, the part-time share of total employment increased from 14.3% to 17.9% (European Parliament, 2014).

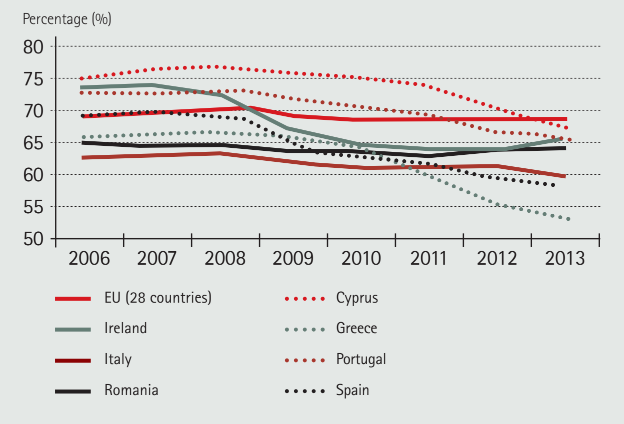
Table 4 and **Figure 6** show the employment rate for the seven countries under review in this report from 2006 to 2013 along with the rates for the EU as a whole and for the Euro Area. **Figure 6** illustrates the significant and mainly continued downward trajectory, especially from 2008 onwards.

TABLE 4 | **Employment Rate (%) (age 20-64) Seven Countries**

	2006	2007	2008	2009	2010	2011	2012	2013
EU (28 countries)	68.9	69.8	70.3	68.9	68.5	68.5	68.4	68.3
Euro area (18 countries)	68.9	69.9	70.2	68.8	68.4	68.5	68	67.7
Cyprus	75.8	76.8	76.5	75.3	75	73.4	70.2	67.1
Greece	65.7	66	66.5	65.8	64	59.9	55.3	53.2
Ireland	73.4	73.8	72.3	66.9	64.6	63.8	63.7	65.5
Italy	62.5	62.8	63	61.7	61.1	61.2	61	59.8
Portugal	72.7	72.6	73.1	71.2	70.5	69.1	66.5	65.6
Romania	64.8	64.4	64.4	63.5	63.3	62.8	63.8	63.9
Spain	68.7	69.5	68.3	63.7	62.5	61.6	59.3	58.2

Source: Eurostat, Online Database, Code t2020_10

FIGURE 6 | **Employment Rate (%) (Age 20-64), Seven Countries, 2006-2013**



Source: Eurostat Online Database, Code: t2020_10

All the countries with which this report is concerned show rates of employment (for ages 20-64) below the EU-28 average for 2013. Focusing on changes between 2012 and 2013 there was a slight decline in the average rates of employment (age group 20-64) in the EU-28 and the Euro Area. Ireland showed a sizable improvement between 2012 and 2013 (+1.8%) and there was a marginal improvement in Romania. Cyprus experienced a particularly sharp drop in employment between 2012 and 2013 (3.1%) and the drop in Greece was also significant (2.1%). In the bigger countries (especially Spain, Italy and Greece) the scale of job loss and consequent unemployment in numerical terms is extraordinary. For example, in Spain over 3.6 million jobs have been lost since the crisis began, with almost 200,000 jobs lost in 2013 alone (European Commission, 2014j). In Italy there is a very striking north-south gap: employment rates in Southern Italy are approximately 42% versus an average of 64.2% in the Northern regions and there is also a very wide gap in employment between men and women (European Parliament, 2014).

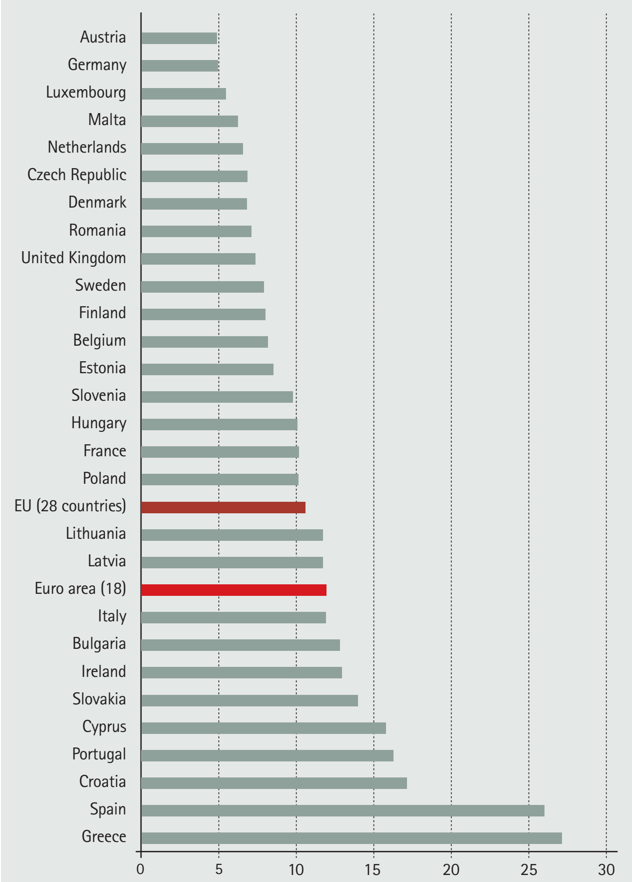
As stated already, the unemployment rate remains historically high in Europe. In 2013 the EU-28 average rate was 10.8%, and it was 12% in the Euro Area (ages 15-74) (Eurostat online database, Code: une_rt_a). The rate was lowest in Austria (4.9%) and Germany (5.3%) and highest in Greece (27.3%), Spain (26.1%), Croatia (17.2%), Portugal (16.4%) and Cyprus (15.9%) (Eurostat online database, Code: une_rt-a). The rate in Ireland was 13.1% and in Italy 12.2%. See **Figure 7**. In Cyprus, according to the European Commission, falls in compensation for employees in 2013 and migration outflows helped to limit the increase in the unemployment rate, which would otherwise have been greater (European Commission, 2014g). In Spain, Caritas is concerned about the increasing difficulty faced by clients of their services in accessing employment, some of whom despair of ever finding a job while others go to greater and greater lengths (in terms of training, counselling etc.). In the observation of Caritas Spain, the problem is affecting both those who, prior to the crisis, had a stable working situation and also those who did not (Caritas Spain, 2014). Caritas Greece is particularly concerned about the ongoing upward trend in unemployment amongst people of all ages, with the situation of younger people, especially young women, particularly concerning, and activation measures failing to make any significant in-roads on the problem (2014). Another extremely concerning issue is the high levels of those who are unemployed and still unable to access the unemployment allowance (Caritas Greece, 2014). Caritas Greece points to increases in health problems, worsening xenophobia and racism, and increased migration, often of young people with skills, as serious impacts of the desperate situation related to employment.

Of the seven countries with which this report is concerned, only Romania had an unemployment rate lower than the EU-28 average (at 7.3%), but Romania also has a relatively low rate of employment (as can be seen from **Figure 5**, above). Romania is also amongst the European countries whose population declined by about 5% in the past decade and is projected to see massive population losses (about -8%) in the next 20 years (Social Protection Committee, 2014). Moreover, the losses will be heaviest among young adults (a one-third loss) and highly-skilled workers and although the Romanian population is currently among the youngest in the EU, by 2050-2060 it will rank among the oldest (Social Protection Committee, 2014).

Big differences exist in unemployment rates between Member States and have been increasing since the end of 2008 (European Commission, 2014a).

People with lower levels of education continue to be badly affected by unemployment, which increases with the lower the level of education attained. This characteristic was noted in all Member States in 2013, as the average unemployment rate in the EU28 for those aged between 25 and 64 having attained at most a lower secondary education was 17.9%, much higher than the rate of unemployment for those who had obtained a third level education qualification (5.9%) (Eurostat, 2014c). The Social Protection Committee has noted that the high incidence of temporary and part-time work among the low(er)-skilled impacts considerably on their risk of poverty and social exclusion. Migrants are more affected by unemployment than the general population, as 20% of third-country nationals living in the EU are without a job (in 2013) (Social Protection Committee, 2014).

FIGURE 7 | **Unemployment Rate, 2013 (ages 15-74)**



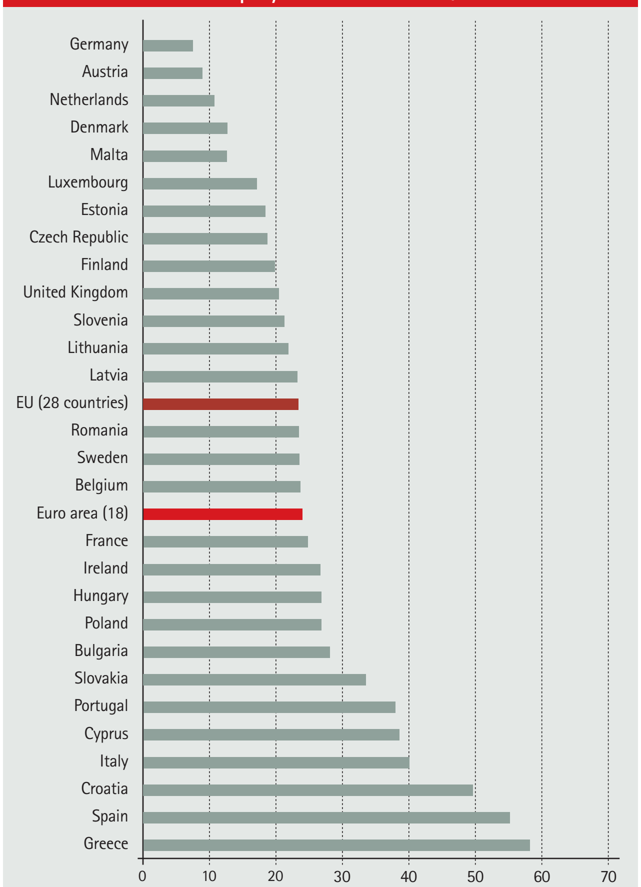
Source: Eurostat Online Database, Code: une_rt_a (not seasonally adjusted) Based on pages 15-74)

By April 2014, the EU-28 unemployment rate had dropped to 10.4%, down from 10.5% in March 2014, and from 10.9% in April 2013 (Eurostat Newsrelease, 2014b). The Euro Area's (EA18) seasonally-adjusted unemployment rate was 11.7%, down from 11.8% in March 2014, and from 12.0% in April 2013 (Eurostat Newsrelease, 2014b). In April 2014 Greece and Spain still had the highest unemployment rates (26.5% and 25.1%, respectively) (Eurostat Newsrelease, 2014b). Compared with 2013, Portugal and Ireland are among the countries where the largest decreases have been observed (Portugal, 17.3 % to 14.6 %; Ireland 13.7 % to 11.9 %), and Cyprus is the country with the greatest increase (from 15.6 % to 16.4 %) (Eurostat, 2014c). In Cyprus the rate was projected to increase to over 19% in 2014 and compensation to employees is projected to continue to fall (European Commission, 2014g, Annex 2).

In Ireland the decreases in unemployment are very welcome. Yet in this context it is also necessary to note that emigration has played a huge part in how Ireland has coped with the crisis, something that has impacted on the size of the country's young population (ages 15-24) (European Commission, 2013a). For example, the European Commission has noted that, in general, emigration to outside the EU has increased over the last few years across many countries, often representing migrants returning to their home countries, but that in Ireland, and only in Ireland, does labour migration represent a significant share of the labour force of the country (European Commission, 2014m).

In 2013, the youth unemployment rate (under 25s) was 23.4% in the EU-28 and 24% in the Euro Area (annual average). The unemployment rate among young persons was higher than the rate for those aged between 25 and 74 in all Member States in 2013. This was a slight increase on the 2012 rates (Eurostat, Code: tsdec460). See **Figure 8.** The economic loss to European society of the disengagement of young people from the labour market was conservatively estimated for 2011 at €153 billion, corresponding to 1.2% of European GDP (The European Foundation for the Improvement of Living and Working Conditions, 2012).

FIGURE 8 | **Youth Unemployment Rate EU-28, 2013**



Source: Eurostat Online Database, Code: tsdec460

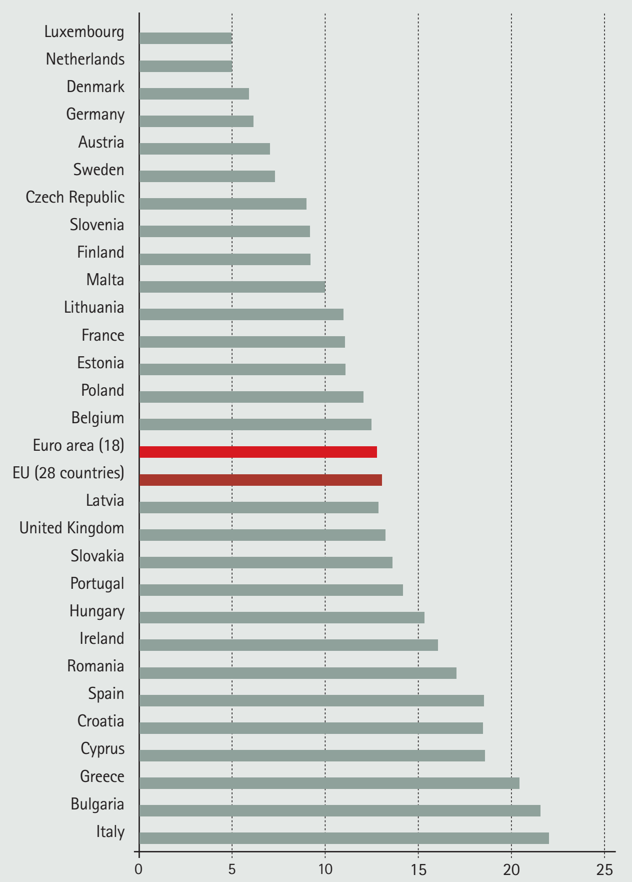
All seven countries with which this report is especially concerned had youth unemployment rates higher than the European average in 2013 (EU-28). Greece had the highest total amongst the EU-28 countries with a rate approaching 60% (58.3%), followed by Spain at 55.5%, Croatia (49.7%), Italy (40%), Cyprus (38.9%) and Portugal (38.1%). Ireland's rate was 26.8% and that for Romania was 23.6%. By far the greatest increase on the 2012 rate was seen in Cyprus (by 11.1 pps). There were also significant increases in Italy, Greece and Spain. In Ireland there was an improvement on the 2012 position.

Comparing April 2014 with April 2013, youth unemployment decreased by 415,000 people in the EU-28 and by 202,000 in the Euro Area and these are very welcome decreases. In April 2014, the youth unemployment rate was 22.5% in the EU-28 and 23.5% in the Euro Area, compared with 23.6% and 23.9% respectively in April 2013 (Eurostat Newsrelease, 2014b). Notwithstanding these improvements, in April 2014, 5.259 million young persons (under 25) were still unemployed in the EU-28. The younger generation is also particularly exposed to atypical, and often precari¬ous, working conditions (European Commission 2014o).

The seven countries with which this report is especially concerned all have relatively high levels of young people neither in employment nor in education or training (NEETs). In many ways the NEET rate is one of the most concerning indicators related to young people with its indication of detachment and discouragement in relation to both work and education. The EU average NEET rate was 13% in 2013 (ages 15-24) which means that 13% of this age group wase neither in employment nor in education or training, representing 7.3 million people (Eurostat online database, Code: edat_lfse_20; European Commission, 2014d). See **Figure 9.**

Italy had the highest NEET rate (22.2%), followed by Bulgaria (21.6%), Greece (20.6%), Cyprus (18.7%), Croatia (18.6%), Spain (18.6%), Romania (17.2%), Ireland (16.1%), Hungary (15.4%) and Portugal (14.2%). All these countries have witnessed increases in the rates since 2008 and the countries in the EU-28 showing the biggest increase in the rate since 2008 are Cyprus (+9 pps) followed closely by Greece (+8.9 pps). Significant increases are also in evidence in Romania and Italy (both +5.6 pps), Spain (+4.2 pps), and Portugal (+3.9 pps). In the most recent years - between 2012 and 2013 - the rate in Cyprus rose significantly (2.7 pps) and there were also clear increases in Italy and Romania. In other countries the increases were minor or there were small improvements in the rate and in Ireland there was a significant decrease in the rate (-2.6 pps).

FIGURE 9 | EU NEETs (age 15-24), 2013



Source: Eurostat, Online Database, edat_lfse_20

Long-term unemployment is of major concern due to its effects in human and social terms as well as its financial costs and possible impacts on social cohesion. Long spells of unemployment reduce the chances of being rehired, and thus long-term unemployment can become a structural problem. Furthermore, job losses – especially in recessions – are associated by the IMF with a loss of earnings that persists in the long-term (15-20 years) (Dao & Loungini, 2010).

In total, 5.1% of the labour force in the EU-28 in 2013 had been unemployed for more than one year; more than half of this figure, 2.9% of the labour force, had been unemployed for more than two years. Both these figures mark a sizeable increase from 2012, when they were 4.7% and 2.6% respectively (Eurostat, 2014c). The rates (that is, long-term unemployment as a percentage of the active population) are higher than the EU average in all of the countries considered in this report other than Romania. In 2013 the highest rates in the EU-28 were found in Greece (18.4%) and Spain (13.1%). Portugal's rate (9.3%) was fifth, Ireland's (7.9%) sixth, and Italy's (6.9%) eighth. Romania's rate (3.4%) was below the average (Eurostat online database, Code: une_ltu_a).

The rate was increasing in Greece, Spain, Italy, and Cyprus between Quarter 4, 2012 and Quarter 4, 2013. In Ireland and Portugal, following increases in the first Quarter of 2013, it has started to decrease, and in Romania the rate is relatively stable (Eurostat online database, code: une_lte_q).

The share of long-term unemployment (as a percentage of total unemployment) in the EU is increasing. In the last quarter of 2011 it was under 44%, a rate that increased by the end of 2012 to just under 46%, and in the last quarter of 2013 it reached 49.4% (Eurostat, online database: lfsq_upgal). At 72% in 2013, Slovakia had the largest share of long-term unemployment amongst those unemployed followed by Greece (70.9%), Croatia (62.7%) and Ireland (62%). Italy's share (58.6%) was the 6th highest and Portugal's (57.8%), the 7th highest. At 52.2%, Spain ranked in 10th place. At 47.9%, Romania's share was just below the EU-28 average of 49.4%. Researchers in Greece have recently drawn attention to the fact that almost 17% of those unemployed in the country (or 224,000 people) have been unemployed for four years or more (Antonopoulos *et al*, 2014)

Unfortunately, the Social Protection Committee has concluded that a gradual reduction of unemployment is unlikely to be enough to reverse the increasing trend in poverty levels, especially if wage polarisation and labour market segmentation continue to pose challenges (2014).

TABLE 5 | Unemployment Headline Statistics, 2013; EU-28 and Seven Countries

	Unemployment Rate	Numbers Unemployed	Share of Long-term Unemployment (%) (2013,Q4)	Youth Unemployment Rate (%)
EU-28 average	10.8	26.4m	49.4	23.4
Cyprus	15.9	71,000	42.2	38.9
Greece	27.3	1.35m	70.9	58.3
Ireland	13.1	282,000	62	26.8
Italy	12.2	3.113m	58.6	40
Portugal	16.4	855,000	57.8	38.1
Romania	7.3	730,000	47.9	23.6
Spain	26.1	6.05m	52.2	55.5

Source: Eurostat Online Databases, Codes: une_rt_a; une_ub-a; lfsq_upgal; tsdec460

Adequate Income Support

Five years on from the financial crisis, high rates of joblessness and income losses are worsening social conditions in many OECD countries with the capacity of governments to meet these challenges constrained by fiscal consolidation (OECD, 2014). The OECD has noted that cuts in social spending risk adding to the hardship of the most vulnerable groups which could create problems for the future, instancing how today's cuts in health spending could trigger rising health care needs in the future. They also note that maintaining and strengthening support for the most vulnerable groups must be part of any strategy for economic and social recovery and fiscal consolidation measures must be designed accordingly, acknowledging that the poor may suffer more from spending cuts than from tax increases (OECD, 2014).

A study using the EUROMOD micro-simulation model sought to illustrate the impact of measures introduced from 2008 to mid-2013 in twelve European countries (De Agostini *et al*, 2014). Six of the seven countries considered in this report were included (that is, all but Cyprus). The study took account of changes in taxes and social contributions and in cash benefits (pensions and others) – but not such things as cuts in services. It found that the impact of these measures on household incomes was particularly negative in Ireland, Greece, Portugal and Spain. It was somewhat less pronounced in Italy and it was positive in Romania.

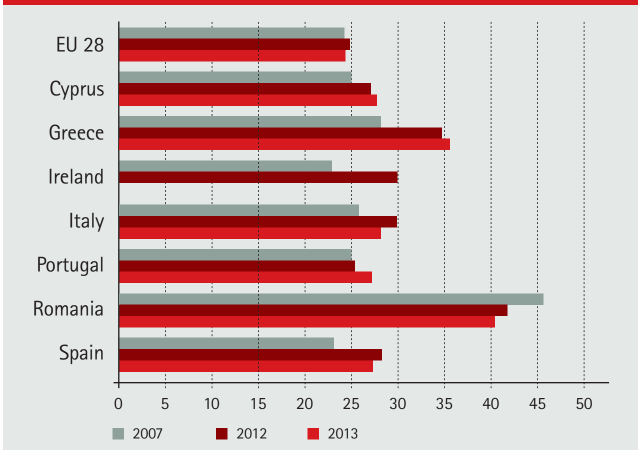
According to the European Commission, the prolonged economic downturn resulted in the financial distress of households intensifying in early 2014 (to March), due to the need to draw on savings or borrow, in order to maintain standards of living. Households in the lowest income quartile experienced the greatest difficulty in covering their current expenditure (European Commission, 2014a). As mentioned already, now nearly a quarter of the EU population is at risk of poverty or social exclusion (European Commission, 2014b; Eurostat Newsrelease 2014e). The biggest increase has been among those of working age, as unemployment has risen and the number of jobless households has increased. In-work poverty has also risen, partly reflecting the fact that those who remain in work have tended to work fewer hours and/or for lower wages. As many working-age adults live in households with children, child poverty has also been impacted (European Commission, 2014b). Children in such households are also exposed to increased poverty. The European Commission attributes growing social distress in employment and poverty to the crisis and the lack of resilience of the labour market and social institutions.

The Social Protection Committee examined increases in poverty and social exclusion between 2008 and 2012 for different population characteristics and specific risk groups across the Member States of the EU (2014). They found that:

- the countries with the largest increase in the population at risk of poverty or social exclusion included Greece, Ireland and Italy (and also Lithuania, Bulgaria and Hungary); and
- when taking into account the population size, the countries contributing most substantially to the increase in the poverty or social exclusion rate at the EU level were Italy and Spain, and to a lesser extent Greece (as well as Bulgaria and Hungary)

The at-risk-of-poverty or social exclusion rate (the combined indicator of poverty used in the Europe 2020 Strategy) increased in all seven of the countries with which this report is concerned between 2011 and 2012. Between 2012 and 2013, the rate increased in thirteen Member States and the countries with the largest rates of increase were Portugal (2.1 pps) and Greece (1.1 pps) (Eurostat, code: t2020_50). There was also a slight increase in the rate in Cyprus, while in Spain and Italy there was a slight decrease. In Romania there was a significant decrease. For Ireland, the rate for 2012 is the latest available, which increased from the previous year. See **Figure 10**.

FIGURE 10 | **Seven Countries: Percentage of People at Risk of Poverty or Social Exclusion (%)**



Source: Eurostat Online Database, Code: t2020_50
Note: 2012 is the latest year for which the rate is available for Ireland

As **Figure 10** shows, the average rate of risk of poverty or social exclusion was 24.5% in the EU-28 in 2013 and this was down marginally on the 2012 rate (24.8%), but was up on the 2008 position (23.8%) (Eurostat Newsrelease 2014e). This means that in 2013, 122.6 million people or 24.5% of the population in the EU-28 was at risk of poverty or social exclusion (Eurostat code: t2020_50). See **Glossary** for a definition of this poverty indicator. For 2013, the rates for the countries concerned in this report were all above the EU average (of 24.5%) and are all amongst the highest rates in the EU-28. The 2013 rates were as follows: Cyprus, 27.8%; Greece, 35.7%; Italy, 28.4%; Portugal, 27.4%; Spain 27.3%; Romania 40.4%. For Ireland the latest available figures are for the year 2012 when the rate was 30%. **Figure 10** shows that the 2013 rates are considerably higher than the rates in 2007 in six of the seven countries, with Romania being the exception where there has been an overall downward trend since 2007.

It is also possible to examine how the at-risk-of-poverty or social exclusion rate is proceeding for particular age groups. For example, for the age group 18-24 the EU-28 average was 31.8% (Eurostat code: ilc_peps01). Between 2012 and 2013 this indicator increased in a majority of the EU-28 countries for this age group (18-24) (Eurostat code ilc_peps01). (Again this relates to countries whose data for 2013 is available at present but which does not include Ireland). Between 2012 and 2013, an increase in this rate occurred in Greece (2.4 pps), Spain (0.9 pps), Cyprus (3.1 pps), Portugal (1.8 pps) and Romania (1.2 pps). In Italy between 2012 and 2013 there was a slight decrease (-0.4 pps) but the rate was still considerably higher than it had been in 2009. There was also a very high increase in this rate for this age group in Ireland between 2010 and 2012 (12.3pps).

The at-risk-of-poverty or social exclusion rate is a combined indicator that includes three separate measures of poverty – people at risk of poverty (a relative income measure), people severely materially deprived (people constrained by a lack of resources), and people in households with very low work intensity (or jobless households). See **Glossary** for an explanation of these terms.

It is also possible to consider each of these indicators separately and **Table 6** sets out the rates for each of the three (the at-risk-of-poverty rate, severe material deprivation rate and the rate of people in households with very low work intensity) for 2012 and 2013 for all seven countries as well as for the EU-28.

In **Appendix 1** we include the 2013 rates for each of these three indicators for all EU-28 countries.

The average risk-of-poverty rate in the EU-28 was 16.7% in 2013 (a slight decrease on the 2012 rate) corresponding to 83.46 million people - meaning that their disposable income was below their national at-risk-of-poverty threshold after social transfers (Eurostat code: t2020_52). The rate was higher than the EU average in five of the countries with which this report is concerned in 2013, Cyprus and Ireland being the exceptions (using the 2012 rate for Ireland), where the rates were a little below the average in both cases. However, in Cyprus, the rate had risen between 2012 and 2013 as it had done in Portugal. Greece (23.1%) had the highest overall rate in the EU followed by Romania (22.4%). Spain had the fifth highest rate (20.4%), Italy the eighth highest (19.1%) and Portugal the ninth highest (18.7%). See **Appendix 1** for the 2013 rates across the EU-28 countries.

Table 6 also shows that the severe material deprivation rates were higher than the EU (28) average in six of the seven countries (using the Irish rate for 2012) in 2013, Spain being the only exception. Romania had one of the highest rates of severe material deprivation in the EU (exceeded only by Bulgaria), although the rate was lower in 2013 than in 2012. The rate was also very high in Greece – and this rate has almost doubled since 2008 (Eurostat Newsrelease 2014e). See **Appendix 1** for the 2013 rate across the EU-28 countries. When we look at the severe material deprivation rate for those under 18, the rates are very high in several of the countries under review in this report, with Romania (34.1%), Greece (23.3%), Cyprus (18.7%), Portugal (13.9%), Italy (13.7%) and Ireland (12.4%) all having rates above the EU-28 average (of 11%) in 20113 (Eurostat code: ilc_mddd11).

Where the indicator of people living in households with very low work intensity is concerned, the average rate in the EU-28 was 10.7% in 2013. See **Table 6**. Ireland's rate for 2013 is not yet available but if the 2012 rate (23.4%) were to apply, Ireland would have the highest rate in the EU-28, followed by Greece (18.2%), where there was a significant increase between 2012 and 2013. Spain had the next highest rate – and again an increase is seen between 2012 and 2013. Portugal's rate also increased between 2012 and 2013 as did the rate in Italy and Cyprus. See **Appendix 1** for the 2013 rate across the EU-28 countries.

TABLE 6 | **Rate for Risk of Poverty, Severe Material Deprivation, People in Households with Very Low Work Intensity: EU Average and Seven Countries: 2012 and 2013.**

	People At risk of Poverty, Rate after Social Transfers (%)		Severely Materially Deprived People (%)		People in Households with Very low Work Intensity (%)	
	2012	2013	2012	2013	2012	2013
EU (28)	16.9	**16.7**	9.9	**9.6**	10.5	**10.7**
Cyprus	14.7	**15.3**	15	**16.1**	6.5	**7.9**
Greece	23.1	**23.1**	19.5	**20.3**	14.2	**18.2**
Ireland	15.7	**N/A**	9.8	**N/A**	23.4	**N/A**
Italy	19.4	**19.1**	14.5	**12.4**	10.3	**11**
Portugal	17.9	**18.7**	8.6	**10.9**	10.1	**12.2**
Romania	22.6	**22.4**	29.9	**28.5**	7.4	**6.4**
Spain	22.2	**20.4**	5.8	**6.2**	14.3	**15.7**

Source: Eurostat online Databases, Codes: t2020_52; t2020_53; t2020_¬_51
Note: 2012 is the latest year for which the rates are available for Ireland

The number of people living in households without any income from work has doubled in Spain since the outset of the crisis (OECD, 2014). In the experience of Caritas Spain, it is particularly notable that the following groups are now experiencing poverty on a sustained basis: unemployed people - especially people unemployed for a long or very long time and those living in households where no one has a job, unemployed young people seeking their first job, single women with dependants, young families with one or two small children, and immigrants in irregular situations. A worrying development is the increase in households that need to spend so much of their resources to maintain their homes that they experience severe poverty after deducting housing costs (Caritas Spain, 2014).They also point out that the income from an older person's pension must, in many cases, now support entire households.

In Greece, Caritas is concerned especially about the high costs of living and fuel poverty. Access to basic needs such as home heating-oil is a becoming a luxury, something exacerbated since the crisis by the imposition of consumption taxes. This is particularly problematic for people who live in the colder, northern parts of the country (Caritas Greece, 2014). They point to a tragic event that took place in summer 2014 that illustrates the increasing difficulty of poorer people in accessing basic services when a quadriplegic woman on life support died when her power was cut due to her unpaid bills. In Portugal, Caritas sees a continuation of the trends established in recent years with two main types of people seeking help from them – those from difficult social backgrounds, and the 'new poor' – people who now cannot cope with the expenses of living mainly because they have lost their job or their income has been substantially reduced (Caritas Portugal, 2014).

Child Poverty: The impact of the crisis across the EU has been particularly severe on children, especially in some countries. Inadequacy of benefits and cutbacks and other restrictions since the crisis have adversely impacted children in countries that already have high or very high child poverty and social exclusion rates – amongst them Greece, Spain, Italy and Romania (Frazer & Marlier, 2014).

The at-risk-of-poverty rate amongst children (under 18s) rose in 14 Member States between 2012 and 2013 (although the 2013 rate is not available for Ireland yet) (Eurostat online database, Code: tessi120). In 2013 Romania had the highest rate (32.1%) and Greece the second highest (28.8%). Spain's rate was fourth highest (27.5%). Italy (24.8%) and Portugal (24.4%) had the sixth and seventh highest rates, respectively. The rate of increase was marked in Portugal (2.6 pps), Cyprus (1.6 pps) and Greece (1.9 pps) between 2012 and 2013, but the rates improved in Spain, Italy and Romania. The latest year for which this statistic is available in Ireland is 2012, when it was 18% and had increased on the previous year. In **Appendix 2**, we set out the child poverty rate for each country in the EU-28 for 2013. Remember, it is also possible to look at the combined indicator - children at risk of poverty or social exclusion - in which case the rates are even higher (See below, relating to a report from the Independent Network of Experts on Social Exclusion).

Caritas Europa has recently published accounts from children of their experiences in several European states (Caritas Europa, 2014). In addition, UNICEF recently published a review of the situation of children in 41 developed countries (the EU and OECD countries) (UNICEF 2014). Their report found that the poorest and most vulnerable children have suffered disproportionately and children in particularly vulnerable situations – such as those in jobless, migrant, lone-parent and large households – are over-represented in the most severe ranges of poverty statistics. Some 1.6 million more children were living in severe material deprivation in 2012 (11.1 million) than in 2008 (9.5 million) in 30 European countries. Some of the UNICEF findings, in respect of the countries under review in this report, are striking:

- Out of 41 EU and OECD countries, those with the greatest increase in child poverty rates (change from 2008- 2012; anchored in 2008) include Greece (40th place), Ireland (37th place), Spain (35th place) and Italy (33rd place). There have also been increases in Cyprus (28th place) and Portugal (22nd place).
- A calculation of the crisis on the median income of households with children suggests that, between 2008 and 2012, Greek families lost the equivalent of 14 years of progress; Ireland and Spain lost a full decade; Italy and Portugal 8 years each and Romania 4 years. (Note that Cyprus is not included in this calculation).
- Since 2008, the percentage of households with children that are unable to afford meat, chicken or fish every second day has more than doubled in Greece and Italy.

The report concludes that the progress made in education, health and social protection over the last 50 years is now at stake (UNICEF 2014).

It is also possible to look at the combined indicator used in the Europe 2020 Strategy – at risk of poverty or social exclusion – for children. The EU-28 average rate for 2013 was 27.6% (Eurostat code: ilc_peps01). Cyprus had a rate that was similar to the average (27.2%), while the rates in the other six countries tended to be much higher: Greece had a rate of 38.1% in 2013 (which was a significant increase on the 2012 rate); Ireland at 33.1% in 2012 (the latest year for which the rate is available); Italy at 31.9% in 2013 (reduced from 2012); Portugal at 31.6% (significantly increased since 2012), and Romania at 48.5% (reduced from the 2012 rate).

Having conducted reviews in the 28 countries of the EU, the Independent Network of Experts on Social Exclusion categorises European countries in terms of having different levels of childhood poverty or social exclusion. Four of the countries under review in this report (Spain, Italy, Ireland and Greece) are considered to have high levels of child poverty or social exclusion; one is considered to be in the category of very high (Romania); and the remaining two countries (Portugal and

Cyprus) are considered to have medium levels (Frazer & Marlier, 2014). The Independent Network concludes that all these countries are required to make improvements in order to respond to the European Commission's recommendation on investing in children (European Commission, 2013g) (a key plank of the Commission's Social Investment Package) and that the first two groups of countries face the biggest challenge in reforming their overall approach.

For the EU as a whole, the proportion of children at risk of poverty or social exclusion rose by 1.5% between 2008 and 2012 compared to 1% for the population over eighteen (Frazer & Marlier, 2014, p.12). However, the increase in child poverty has been more severe in some countries than others, and in several Member States including Greece and Cyprus. In the opinion of the Network of Independent Experts on Social Inclusion, this reflects the varying effectiveness of measures taken by Member States to protect children (Frazer & Marlier, 2014). One very worrying trend is that 12.7% of children in the EU were at persistent risk of poverty in 2011 (the most recent data available) – which means they were living in a household that was income poor and that had also been income poor for at least two of the three preceding years (as against 9.6% for the overall population). Persistent poverty had increased by 2.3 pps among children since 2008 and by 1.2 pps for the population as a whole (Frazer & Marlier, 2014).

In Greece the distribution of family benefits by income groups has been unfavourable to the poor (Frazer & Marlier, 2014). In Cyprus, considered a country with medium risk of childhood poverty or social exclusion, efforts have been made to protect children and families by, for example, the introduction of a new single parent benefit in 2012 which is paid on top of existing social benefits (Frazer & Marlier, 2014). However, an increasing trend for children needing free food at school was highlighted in August 2014 – some 13,300 or 12% of children from primary and secondary schools are being supplied with free food and the Cypriot Minister for Education has said that this trend is likely to increase (Parikiaki, 2014). In Portugal no efforts are identified as having been made to try to moderate the effects of the current crisis on children (Frazer & Marlier, 2014).

Members of the Network of Independent Experts on Social Inclusion are also highly critical of certain countries, including Greece, Spain and Italy (all countries with a high rate of child poverty or social exclusion), for their 'failure to protect children sufficiently from the impact of the crisis' (Frazer & Marlier, 2014, p.12). Greece is identified as having a particularly weak response to the problem and shows little indication of plans to address the problem in the future. In Italy, since 2008, a significant reduction in financial resources has influenced all national funds relevant to the well-being of children. In Spain there have been cuts in social expenditure affecting children, in terms of both benefits and services. For its part, in Ireland it is acknowledged that a start has been made in setting targets for the reduction of child poverty, but there is a need to update and implement the commitments in the 2007 NAP/Inclusion strategy as part of a more comprehensive strategic approach to the problem (Frazer & Marlier, 2014, p.32). Furthermore, a recent Irish report has highlighted that a large number of quasi-jobless households (or households with Very Low Work Intensity) include children – children make up nearly a third of those in such households (National Economic and Social Council, 2014). Romania has a very high rate of child poverty and social exclusion, and since 2008, the effects on children have been dramatic, particularly in the area of increased material deprivation and lack of access to basic services, and especially preventive ones. The report recommends an immediate focus on ensuring minimal social service packages to Romanian children, while continuing to systematically develop and improve basic social services with a particular focus needed on Roma children, rural children and youth (Frazer & Marlier, 2014). The report concludes that, in respect of Romania:

'the social costs of these deteriorations [in material deprivation of children and lack of access to services] already started to become evident and keep increasing the costs of any future policy'

(Frazer & Marlier, 2014, p. 51).

Working Poor: Across the EU there are very divergent trends relating to people who work and still do not earn enough to be lifted out of poverty (known as the working poor). In 2013 the EU-28 average rate was 8.9%, which was slightly reduced on the 2012 rate (9.1%) (Eurostat code: tesov110). In 2013, relatively high levels (over 10%) were reported in countries that include Spain and Portugal (both 10.5%), Italy (10.6%), and especially in Greece (13.1%) and in Romania (18%); Romania has the absolute highest level (Eurostat code: tesov110). At 8.9%, the rate in Cyprus was similar to the average rate for the EU-28 but it had increased (in Cyprus) between 2012 and 2013 as it had in Portugal (Eurostat code: tessov110). The latest year for which the rate is available for Ireland is 2012 when it was 5.4%.

A range of interacting factors, from the labour market situation (for example, low wages or insufficient work), to taxation, social protection and childcare policies, contribute to this problem and there are also individual or household factors that do so (for example, household size or composition). The situation of the working poor is of concern to Caritas members. Amongst them Caritas Greece points to an acute situation for many people who work but who have experienced severe drops in wages (in both the public and private sectors), with the minimum wage - especially for those under 25 - not supportive of living with dignity (Caritas Greece, 2014). This situation is exacerbated by an increased tax burden, high rates of VAT on basic goods, and housing or consumer loans. In the experience of Caritas Greece the prices of basic goods have not reduced in general although incomes have greatly reduced. Fluctuation in the cost of living is evident from the HICP (Harmonised Index of Consumer Prices) in recent months which, for example, showed a monthly increase of 0.8 in Greece in December 2013 (Eurostat Online Database, Code: prc_hicp-mmor)

Older People: The EU-28 average risk-of-poverty rate for older people (those aged 65+) was 13.8% in 2013, and it had reduced from the previous year (Eurostat code: tsdde320). Apart from Spain (12.7%, 2013) and Ireland (12.2%, 2012), the rates of all the countries under review in this report are higher than the average rate: Cyprus (20.1%, 2013, fifth highest in the EU-28), Greece (15.1%, 2013), Italy (15.3%, 2013), Portugal (14.6%, 2013) and Romania (15%, 2013). However, the rates show varying levels of improvement in these countries between 2012 and 2013. This is not the case in Ireland, where there was a disimprovement between 2011 and 2012 (2012 being the latest year for which the statistic is currently available). There was also a disimprovement in the material deprivation rate for older people between 2012 and 2013 in Greece, Cyprus and Portugal; and it also worsened in Ireland between 2011 and 2012 (Eurostat code: tessi082).

Sometimes the overall statistics for older people mask severe difficulties for particular groups. For example, Caritas Spain points out that while there is a perception that older people have done better during the crisis than other groups, there are many older people who are very vulnerable; they include those affected by cutbacks in the health and welfare systems which affect their purchasing power. Amongst them, Caritas Spain points to those living alone, those without support networks, and those with chronic illnesses, where there are cases of people abandoning their medical treatment due to its cost (Caritas Spain, 2014). Social Justice Ireland makes a similar point - that certain groups of older people are at a particular disadvantage (for example, older people who are tenants). Overall, they consider that the increasing rate of poverty amongst older people is worrying and regrettable given the progress that had been made in the previous decade of reducing very high rates of poverty among older people in Ireland. They point to decisions made in successive Budgets – viz. to reduce the fuel allowance for older people, to treble prescription charges, and to reduce the household benefits package - as now showing up in the rising poverty figures. These decisions, plus cuts to social welfare payments, and to medical cards, combined with a reduction in services is having a very negative impact on some of the most vulnerable older people in Irish society (Social Justice Ireland, 2014).

Lack of Safety Nets: There are still strong demands on social security systems for countries implementing fiscal consolidation measures (Social Protection Committee, 2014). However, significant shares of unemployed people are not covered by standard safety nets, such as unemployment benefits or social assistance. Italy does not have a minimum income (or 'scheme of last resort') at a national level (but there are some regional or local schemes considered piecemeal or partial) (Social Protection Committee, 2014). Similarly, Greece lacks a comprehensive scheme of last resort (though there are plans for a 'minimum guaranteed income' to be rolled out nationally from 2015). An exploratory analysis by the European Commission from 2014 which sought to quantify those people (aged 18-59) who are falling outside of social security safety nets[12] found that 15% of those living in (quasi-) jobless and households at risk of poverty receive no more than 10% of their income from social benefits. The share of individuals not receiving income support is especially large in Greece, Cyprus, Italy, and Portugal, where more than 40% of those living in (quasi-) jobless and poor households receive only up to 10% of their income from social transfers, and in Spain and Romania, where the percentage is between 30% and 40% (Social Protection Committee, 2014). Lack of coverage of these people would suggest a lack of effectiveness of the benefit system in reaching the most vulnerable. Access to the schemes in Spain and Ireland is considered difficult.

In Spain, for example, a complex administrative process for accessing minimum income schemes is believed to hinder the smooth transition between social assistance and reintegration into the labour market (European Commission, 2014j). Caritas Spain points out that the first effects of the crisis were cushioned by unemployment benefits and family support, but as the crisis has continued the exhaustion of benefits, the lengthening of unemployment, policy adjustments and cuts have generated a second wave of impoverishment and social exclusion with more intense effects (Caritas Spain, 2014). Another issue highlighted by Caritas Spain is to do with stricter conditions and stricter administrative requirements for access to benefits involving additional fees as well as delays in processing applications for social services (Caritas Spain, 2014). A similar trend has been noticed in many countries in recent years as it becomes more difficult to access or maintain benefits, as eligibility conditions are tightened or greater sanctions are imposed.

People with disabilities: People with disabilities are under-represented in the workforce and over-represented among the poor (OECD, 2010). Several Caritas Member organisations are concerned about the effect of the crisis and austerity policies on disabled people. For example, Caritas Romania highlights how people with disabilities are affected by chronic poverty, something contributed to by a lack of activation measures for disabled adults, an outdated benefits system, and the practice of making personal assistant payments available to the parents of disabled people at the minimum wage rate (Caritas Romania, 2014). Along with organisations representing disabled people in Ireland, Social Justice Ireland is concerned about exclusion of people with disabilities from employment, education or training offered by the state's Intreo offices (which are a key part of the employment strategy of Ireland's National Reform Programme). Concentrating employment activation measures almost exclusively on those on the live register means that many disabled people will be further distanced from the labour force, making it more likely that they will live in poverty and experience social exclusion (Social Justice Ireland, 2014).

[12] By, for example, being out-of-work but not eligible for unemployment benefits because they have never worked or have not worked long enough to be eligible, etc.

Migrants: Caritas Cyprus highlights particular hardships being experienced by documented and undocumented migrants due to lack of funding and lack of sufficient administration systems to reach them. They point to two instances in their migrant centre of mothers being detained and separated from infants who had to be brought to the detention centres/police cells three times per day for feeding (Caritas Cyprus, 2014). Caritas Portugal reports that many migrants have left Portugal to look for jobs and a better income and that as a result there is a decrease in their numbers seeking help from Caritas (Caritas Portugal, 20114).

SPOTLIGHT
KEY ISSUES FROM EACH OF THE SEVEN COUNTRIES:

CYPRUS: During the period 2008-2013, Cyprus saw a substantial increase in the rate of risk of poverty or social exclusion (34.5 pps) (Eurostat online database, code: t2020_50). But the at-risk-of-poverty or social exclusion rate for unemployed people increased very substantially by over 20 pps (Social Protection Committee, 2014, referring to the period 2008 to 2012). According to UNICEF (2014), Cyprus had a substantial increase in child poverty rates from 2008 to 2012 (anchored in 2008) (coming in 28th place out of 41 EU and OECD countries). The rate of increase in child poverty was again marked between 2012 and 2013 (1.6 pps) (Eurostat online database, code: tessi120).

GREECE: At 23.1% in 2013, Greece had the highest overall rate of income poverty (risk-of-poverty rate) in the EU-28. Greece also saw the biggest increase in Europe in the at-risk-of-poverty or social exclusion rate during the period 2008-2013 (7.6 pps) (Eurostat, online database code: t2020_50).There has been an especially high increase in the rate of severe material deprivation which has almost doubled since 2008 (Eurostat Newsrelease 2014e). According to the Social Protection Committee (referring to the period 2008-2012), the increase in the at-risk-of-poverty or social exclusion rate was especially high for single parents of (over 20 pps) and for large families (over 10 pps) (2014). Younger people (18-24) and workers at prime age (25-54) have, in particular, seen their income and living conditions worsen. The share of working poor increased somewhat, but the at-risk-of-poverty or social exclusion rate for people outside of the labour market (unemployed or inactive) increased above 10 pps (Social Protection Committee 2014). The number of people living in households without any income from work has doubled in Greece since the outset of the crisis (OECD, 2014). According to UNICEF (2014), Greece had the second highest increase in child poverty rates from 2008 to 2012 (anchored in 2008) coming in 40th place out of 41 EU and OECD countries. There was also a marked rate of increase (1.9 pps) in the child poverty rate between 2012 and 2013 (Eurostat online database, code: tessi120).

IRELAND: Ireland saw a substantial increase in the rate of risk of poverty or social exclusion (6.3 pps) during the period 2008-2012 (Eurostat online database, code: t2020_50) – the increase in this rate has been second only to that for Greece (Eurostat online database, code: t2020_50; Social Protection Committee, 2014) The situation of people who live in Irish households where no-one is working or who have very limited access to work (that is, households with very low work intensity) has been highlighted recently (National Economic and Social Council, 2014). There has been a large increase since 2008 and now nearly one quarter of households are so categorised. People in these households have a high risk of poverty, are more likely to have no educational qualifications, to be single or parenting alone, to have a disability, or to live with someone who has. Children constitute nearly a third of those in such households, and thus without successful policies there is a high risk of passing on disadvantage through the generations. According to UNICEF (2014), Ireland had one of the highest increases in child poverty rates from 2008 to 2012 (anchored in 2008) coming in 37th place out of 41 EU and OECD countries.

ITALY: During the period 2008-2013, Italy saw a substantial increase in the rate of risk of poverty or social exclusion (3.1 pps) (Eurostat online database, code: t2020_50); Social Protection Committee, 2014). The at-risk-of-poverty or social exclusion rate for unemployed people rose by close to 10 pps (Social Protection Committee, referring to the period 2008 to 2012). The rate has been relatively stable for large family households while for other types of households (single persons, single parents, and households without dependent children) it has increased (Social Protection Committee, 2014). As regards young people neither in employment nor education, Italy had the highest rate (22.2%) in the EU in 2013. The number of people living in households without any income from work has increased by 20% or more since the outset of the crisis (OECD, 2014). According to UNICEF (2014), Italy has had one of the highest increases in child poverty rates from 2008 to 2012 (anchored in 2008) coming in 33rd place out of 41 EU and OECD countries.

PORTUGAL: Between 2012 and 2013, Portugal had the largest rate of increase in the at-risk-of-poverty or social exclusion rate (2.1 pps) in the EU-28 (Eurostat, code: t2020_50). Since the implementation of major cuts, Portugal has reduced by 30% its spending on support for families with children and one-third of beneficiaries have lost access to child benefits – with austerity measures focused on restricting access to social benefits, reducing unemployment protection and 'normalising' low salaries and precariousness (amongst other things), actions that strongly affect the future potential of children (Frazer & Marlier, 2014). The current situation is jeopardising some achievements which Portugal is thought to have gained during the last decade towards promoting children's rights. According to UNICEF (2014), Portugal had a substantial increase in child poverty rates from 2008 to 2012 (anchored in 2008) coming in 22nd place out of 41 EU and OECD countries. The rate of increase in child poverty was again marked between 2012 and 2013 (2.6 pps) (Eurostat online database, code: tessi120). The number of people living in households without any income from work has risen by 20% or more since the onset of the crisis (OECD, 2014).

ROMANIA: The European Commission has noted that, despite a relatively stable employment situation, gross household incomes have been declining and income inequalities have been growing and families with children are particularly exposed (2014e). Problems persist in transitioning children deprived of parental care out of institutions, and for people with disabilities for whom community services are not sufficiently developed. A lot of problems persist relative to the take-up, coverage and adequacy of social benefits in reducing poverty (European Commission, 2014e). Caritas Romania also highlights the often severe poverty of young people, especially in rural areas, such as those who have dropped out of education, recent graduates trying to enter the labour market, young women, and Roma youth (2014). In 2013 Romania had one of the highest rates of severe material deprivation in the EU (exceeded only by Bulgaria) although the rate was lower in 2013 than in 2012; Romania also had the highest rate of child poverty in the EU-28 in 2013 but this rate had also improved over the 2012 rate (Eurostat online database, code: tessi120).

SPAIN: The general fall in income in the years following the height of the crisis has led to a significant drop in the level of the poverty line, indicating a sharp fall in the living standards of the poorest (European Commission, 2014j). Within the EU, Spain is one of the Member States where social protection has had the least impact on reducing poverty, and child poverty in particular. Social assistance and benefits are characterised by low coverage and effectiveness (with high levels of non-coverage for poor people with jobs), with limited redistributive effects across different groups at risk (European Commission, 2014j). During the period 2008-2013, Spain saw a substantial increase in the rate of risk of poverty or social exclusion (2.8 pps) (Eurostat online database, code: t2020_50). According to UNICEF (2014), Spain had one of the highest increases in child poverty rates from 2008 to 2012 (anchored in 2008) coming in 35th place out of 41 EU and OECD countries.

High Quality Services

The lives of many European families have become harder as unemployment levels have risen and job security has declined. As already mentioned, the OECD has remarked that some of the social consequences of the crisis will only be felt in the long term including in areas like family formation and health (OECD, 2014). It is clear from this report and the previous Caritas Crisis Monitoring Reports that many services have been cut since 2008 across a range of areas in the countries under review as governments implement austerity measures. Cuts to important public services are known to disproportionately affect poorer people who are not in a position to compensate for them (Frazer & Marlier, 2012). A recent report from the European Social Protection Committee has noted that the economic crisis has deeply affected many public policy areas through cuts in public spending, presenting a real risk to early intervention and prevention policies for children, and one that may result in greater public expenditure in the future (Janta & Henham, 2014).

The impacts of expenditure cuts have been observed by Caritas member organisations over several years. For example, Caritas Italy points out that a growing number of situations of economic difficulty or progressive social exclusion have been caused, or at least aggravated, by austerity policies and containment of public spending (in sectors like education, health, social-welfare and others) precisely at a time when there is a greater need for effective social protection tools, aimed at those who have lost their jobs or have seen their purchasing power decline (2014). Overall, the observation of Caritas Italy is that the social costs of austerity have been paid mainly by individuals and families on the edge of poverty, excluded from public intervention or receiving inadequate social interventions that are more and more limited and restricted. Caritas Portugal highlights problems with access to services caused by cut-backs and outsourcing of service provision by the state (Caritas Portugal, 2014).

Caritas Romania highlights a number of problems relating to access to services. For example, there is a particular problem with access to social services for rural dwellers or those in small urban areas due to the requirement that spending be recovered exclusively from local budgets (Caritas Romania, 2014). They also highlight the experience of people from the Roma community (whose access to basic services such as healthcare, preventative care, education and vocational training is uneven) and the experience of disabled people. For disabled people there is a lack of community support services (transportation, in-home care, respite centres, after-school programmes), a lack of accessibility, and insufficient early intervention and rehabilitation services at local level, which leads to isolation, exclusion and poor quality of life. Between 2011 and 2013, persons with disabilities reported numerous abuses and delays in the remuneration of their personal assistants (usually family members), including replacements of the salary of the personal assistant with a (smaller) "indemnity for carers". This situation, generated by austerity budgets at the level of local city halls, as well as by inadequate interpretations of the legislative framework, led to critical situations in which personal assistants did not receive their salaries for more than six months (Caritas Romania, 2014).

Improved access to public services must be part of the solution to the crisis in Europe. A recent report from the Irish National Economic and Social Council (NESC) (2014) illustrates this by examining the position of people in households with Very Low Work Intensity in Ireland – now a quarter of Irish households – and people in them have a high risk of poverty, are more likely to have no educational qualifications, to be single or parenting alone, to have a disability or to live with someone who has. Children constitute nearly a third of those in such households. As the report concludes, the issue will not be resolved through activation measures alone but must also include services addressing adult literacy, child development, family support, addiction services, disability services, housing, education and training, public employment, community employment, and so on.

It is particularly difficult to assess impacts of the crisis and austerity measures on the provision of services (such as health and social care, family and social support, housing, education and disability) in a report of this nature and a systematic review of their impacts has not been attempted. However, below we will briefly refer to impacts that are known in several key areas of social services' provision, focusing especially on provision of health/social care services and family support and referring also to education, housing and support for homeless people.

Health and Social Care Services: Access to high-quality health services is essential for good quality of life and 'inclusive growth', a main objective of the Europe 2020 Strategy. As the OECD has noted, there have been dramatic health spending reversals in recent years compared with the period prior to the crisis in OECD countries hardest by the crisis (2014). The crisis, and the response to it of austerity, has brought to a halt the long-standing general trend of increases in public expenditure on health in the EU – but countries with high public expenditure have likely been better able to cushion the consequent effects. None of the seven countries with which this report is concerned is considered to be in the highest quartile (25%) of countries in terms of health expenditure, and two (Cyprus and Romania) are in the lowest quartile (Eurofound, 2013). Of the countries with which this report is concerned, all but Romania and Cyprus are members of the OECD, and a recent OECD report noted dramatic declines in per capita health spending in member countries, 2009-2011, in Greece (-11.1%) and Ireland (-6.6%) and to a lesser extent in Portugal (-2.2%), Spain (-0.5%) and Italy (-0.4%) (OECD, 2014).

For its part, with a life expectancy considerably below the EU average and spending on healthcare amongst the lowest in the EU (European Commission, 2013c), Romania faces big challenges in the area of health. Romania, along with other countries including Greece, is also faced with an ongoing challenge of ensuring basic health coverage for minorities such as Roma populations. Such access is worsened by unemployment, budgetary cuts and restructuring in some Member States, according to the European Commission (2014f). Caritas Cyprus is highlighting an increasing problem in relation to access to and conditions in hospitals. Because of reductions in income and increased taxes many people have stopped using private hospitals, which has dramatically increased the number of patients per doctor in public hospitals, leading to concern about standards, and longer waiting periods, which could lead to loss of life (Caritas Cyprus, 2014).

A report into healthcare impacts published by Eurofound at the end of 2013 points to two likely healthcare impacts since the crisis - an increased demand for some health services, and reduced financing due to reduced public budgets and decreased income levels among many users (Eurofound, 2013). Austerity - not recession - has been called the real danger to public health because when social safety nets are slashed, economic shocks like losing a job or a home can turn into a health crisis, and the strength of social safety nets is a strong determinant of health (Stuckler & Basu, 2013). In 2013 an editorial in the British Medical Journal pointed to negative health impacts accumulating in countries that have been severely affected by the economic crisis and by austerity packages that have cut health budgets, particularly in Greece, Portugal and Spain (British Medical Journal, 2013).

Increased risk of poor mental health is reported in several countries, including Greece and Ireland, and unemployed people are more likely to be at risk of poor mental health than those in employment (Eurofound, 2013). Housing and job insecurity in particular have contributed to an increase in the proportion of people at risk of poor mental health. In Greece, drastic cuts in services are thought to have contributed to an increase in communicable diseases (HIV and malaria).

One study carried out during 2010/2011 points to several countries having increased user charges for essential services, and describes this as a cause for concern, given that this disproportionately affects low-income groups (European Observatory on Health Systems and Policies, 2012). Eurofound found that in 2011 a high proportion of people in Greece (31%), Cyprus (28%), Italy (23%), Ireland and Romania (both 16%) said that cost was a factor in making it 'very difficult' to see a doctor (2013, Table A1). Waiting times also made it difficult for a high proportion of people especially in Greece, Italy, Cyprus, Portugal and Romania. In Greece the proportion of people reporting unmet needs for healthcare increased substantially (between 2007 and 2011) and it also increased in Spain.

One significant research finding is that while the health of some groups is unaffected by the crisis (or even improved), there is an increase in the proportion of people in the lowest income quartile (lowest 25%) who report bad health (Karanikolos *et al*, 2013; Eurofound, 2013). Consistently, the OECD reports that in all its member countries, people with low incomes are more likely to report unmet care needs than people with high incomes, with Greece and Italy amongst the countries where the gap is particularly large, and cost being given as the main reason for unmet needs (OECD, 2014).

Caritas Spain reports that after years of crisis, a very significant deterioration in terms of the guarantee of social rights in the area of health can be observed, and points to the fact that the effects of social exclusion on health tend to be cumulative over a long period (2014). According to Caritas Spain, changes in the health care system result in increased spending on medicines, people ignoring health problems and abandoning medical treatment, as well as fear and stress particularly amongst immigrants and those in irregular situations. Health 'reform' has resulted in unclear access rules and in some cases rules more strictly applied and this has left some groups radically excluded from the system, including illegal immigrants and young Spanish people who leave Spain to seek work and must re-apply for their health card again.

In Romania the proportion of people reporting unmet health needs was 10.7% in 2012 but the share of individuals living in (quasi) jobless households was much higher (nearly 20%) (Social Protection Committee, 2014).

In Italy in 2013, in the Counselling Centres run by Caritas, 10.5% of requests for help related to health services, a proportion that had increased by over 6 pps since 2008 (Caritas Italy, 2014). In Ireland, as mentioned above, a review of discretionary medical cards commenced in 2014 and has caused considerable distress and financial hardship to those families and individuals reliant on these discretionary medical cards. Approximately 15,000 people with an acute or lifelong condition lost their medical cards as a result of the review (Social Justice Ireland, 2014). The review was halted by Government in June 2014 but it also caused extreme financial hardship for many of these families as the costs associated with acute and lifelong conditions can undermine the ability of people to meet basic costs of living.

From Greece, Caritas reports problems for those without health insurance, while access to public hospitals is simultaneously becoming more difficult and increased costs of drugs (even for those who have insurance) deterring people from obtaining the drugs they need (Caritas Greece, 2014). As mentioned above, Caritas Romania highlights especially problems with access to health services amongst some groups, such as Roma people and people with disabilities, and Caritas Cyprus reports greater pressure on public hospitals leading to longer waiting times and safety concerns.

In Romania, Caritas reports that the demand for long term care and home-based care of older people is constantly increasing, despite reduced availability at local level and there is also a very high demand for respite care, for persons with complex dependency needs. In 2013, there was only one public respite centre for disabled persons in Romania (Caritas Romania, 2014).

Family Support: It is well recognised that there are a range of risks for children who grow up in poverty – there are differences in cognitive outcomes, in health and even in psycho-motor development, and many of these have lifelong effects. It is also well-known that addressing disadvantage early, before it accumulates, is one of the best ways to tackle education inequality and to help children to live up to their full potential. Thus Europe's social and economic future greatly depends on its capacity to break the transmission of disadvantage across generations (Social Protection Committee, 2014).

Cantillon *et al* suggest that over recent years, families with low-work-intensity households were mostly affected by the inadequacy of social protection (2013). This has happened over the last decade as social spending in many EU countries prioritised policies aimed at raising employment levels rather than social protection measures. However, having a job does not always allow families with children to escape poverty. A report of the Social Protection Committee shows that across Europe, people in households with children are much more likely to be in the category of the 'working poor' than households without children (2014). The study estimates that 'compared to a childless household with two adults, a two-adult household with two children costs about 40% more' (2014, p.127). Lone parents and their children are particularly exposed to the risk of poverty as financial difficulty inevitably impacts upon children (Janta & Henham, 2014). According to the Social Protection Committee, the key factors influencing low-work-intensity are the limited availability and affordability of child care and the lack of access to flexible working arrangements (2014).

The Network of Independent Experts on Social Inclusion has analysed the policy approaches across Europe towards tackling child poverty. In their view, in many countries, children and families have been disproportionately affected by the crisis and by austerity measures, and that too often the impact of such measures has not been taken into account with services often being cut precisely when they are needed - something particularly evident in programme countries (Frazer & Marlier, 2014). Children from an ethnic minority background, Roma children and children with a disability are identified as facing particular risks which have increased since the crisis.

As mentioned above, Romania has a very high rate of child poverty and social exclusion and it is clear from the report of the Network of Independent Experts on Social Inclusion that provision for children has deteriorated since the crisis:

> *'Services have been largely ignored: universal medical and educational services for children have deteriorated steadily and development of specialised services for vulnerable children … slowed down during the last four years. Preventive services are largely ignored.'*
>
> (Frazer & Marlier, 2014, p.43)

In Cyprus a shift has taken place from universal benefits designed to protect children to more targeting and selectivity - largely dictated by the Memorandum of Understanding between Cyprus and international lenders reached in the context of the crisis (Frazer & Marlier, 2014, p.41). Similarly, in Portugal, the authorities are observed as having difficulty maintaining the balance between universal and targeted approaches as well as a focus on children who face increased risk due to multiple disadvantages. It is also observed that the current social and economic situation in Portugal is jeopardising some of the achievements of the last decade when there was a clear commitment to promoting children's rights, especially in legislation (Frazer & Marlier, 2014).

All seven countries with which this report is concerned, need to take action now if they are to protect children from poverty and to implement the European Commission's recommendations on investing in children (European Commission, 2013g). As already mentioned, cut backs and other restrictions to benefits since the crisis began have impacted adversely on the situation of children in countries that already had high or very high child poverty and social exclusion rates – amongst them Greece, Spain, Italy and Romania (Frazer & Marlier, 2014). In Spain cutbacks in social benefits are exacerbated by cutbacks in services such as education and social services, which in turn have disproportionately affected poorer households with children. Caritas Spain points to reductions and delays in financial support for family caregivers, leaving an increasingly dependent group without support (2014). In Greece, according to the OECD, despite the enormous increase in the need for public assistance, support for the poorest families has remained weak, reflecting the difficulties of quickly introducing effective social policies from scratch (2014a).

In Ireland cutbacks have impacted on almost all sections of the population but have especially hit families with children, and within that group especially those with large families, and a move toward more targeting of benefits and less universalism of benefits has not been counterbalanced by more in-kind services (Frazer & Marlier, 2014).

Education: Since 2008, a significant number of countries have cut public spending on education. Demand for education and training is increasing while austerity continues to put pressure on the resources allocated to education (OECD, 2013). And the pressure is mostly felt in primary and secondary education because public funding is so significant at these levels (OECD, 2013). Previous *Caritas Crisis Monitoring* Reports reported on a series of such measures in all the countries under review in this report.

So, for example:

- Ireland is considered to spend a proportionately low amount on education – particularly on early childhood education and care and on education for those disadvantaged (Frazer & Marlier, 2014). An OECD report also suggests that Ireland saw a very large reduction in total public expenditure on education as a percentage of total public expenditure between 2008 and 2011 (OECD, 2013, p.3). The Government Budget of 2014 signalled a capital investment in education, and there have also been efforts to protect the education budget from cuts in recent times, but since the start of the crisis many changes have been made which have impacted on poorer or vulnerable people (Frazier & Marlier, 2014). (For example, allowances to those on low income to participate in education have been cut back or abolished and support for those with learning difficulties have been significantly cut). As far as education for people with disabilities is concerned, Irish disability organisations argue that people with disabilities and seeking employment, education or training are being excluded from the present remit of the *Intreo* offices, as part of the employment strategy of Ireland's National Reform Programme, and are concerned that this will mean that many disabled people will be further distanced from the labour force, making it more likely that they will live in poverty and experience social exclusion (Disability Federation of Ireland, 2013). In Romania, while efforts have been made to prevent early school-leaving, there is still a lack of coherent action, according to the Network of Independent Experts on Social Inclusion (Frazier & Marlier, 2013) and education budgets had been cut in previous years; while thousands of teachers protested for better conditions and more investment in education in November 2013 (Education International, 2013). According to Caritas Romania, since the onset of the crisis a large number of children in remote and rural communities have not been attending school on a regular basis due to cut-backs (Caritas Romania, 2014) and overall the school population decreased by 9.4% between the academic years 2010/11 and 2013/14 (National Institute of Statistics, 2014).
- In Spain there have been notable reductions to meal and book subsidies in almost all regions and the impact has been particularly noticeable in poor households with children (Frazer & Marlier, 2014). Stigmatising of some at-risk school children in some autonomous regions was observed in Spain during summer 2013. According to Caritas Spain (2014), the change in the financing of the education system entails people spending more on education, restricted access to scholarships, lack of attention to special educational needs and increasing situations of inequality.
- In Greece, Caritas reports that since the crisis began and continuing into 2014, access to elementary public goods has become even harder for the citizens due to austerity measures (2014).

Housing and Homeless Support: Since the onset of the crisis, the demand for social housing and the share of children living in households overburdened due to housing costs have increased (Social Protection Committee, 2014). In Ireland and Romania issues in relation to housing, especially social housing, and the living environment are now identified as a major challenge by the Network of Independent Experts on Social Inclusion (Frazer & Marlier, 2014). Concerns are being expressed by a number of bodies about widespread and systematic evictions by local authorities in Romania of hundreds of Roma people from settlements, something that Amnesty International has complained of to the UN Committee on Economic, Social and Cultural Rights (2014). From Ireland, *Social Justice Ireland* reports a particular concern about the housing situation in the past year. Lower income households are burdened with high housing costs, evidenced by the housing cost overburden rate having risen from 14.7% in 2009 to 25.4% in 2012 (for the lowest fifth of households) (Eurostat Online Database, Code: tessi162). (See **Glossary** for definition of 'housing cost overburden rate').

An ongoing trend of increased homelessness is reported across Europe (Social Protection Committee, 2014). The particularly dramatic social impact of the crisis in some countries, such as Greece, means that levels of homelessness have risen considerably. Service providers estimate that Greece's homeless population rose by 25% between 2009 and 2011 when it reached 20,000 (Social Protection Committee, 2014, citing a FEANTSA report from 2012). In Spain, a large increase was reported in spending on centres that work with homeless people during the period 2006-2012 (Social Protection Committee, 2014). In a report by the Network of Independent Experts on Social Inclusion, experts in Spain, Ireland and Italy are now highlighting the growing problem of homelessness affecting children (Frazer & Marlier, 2014).

From Italy, Caritas reports that homeowners are affected by poverty (Caritas Italy, 2014). In the Caritas Italy Counselling Centres, the share of home owners has been progressively increasing over the years (from 9.7% in 2006 to 13.3% in 2012), while the percentage of people with severe housing problems increased from 11.3% in 2008 to 16.2% in 2013. A national fund for rent supplement contributions, aimed at giving rent supplement benefits to low income families ceased from 2012. In the absence of adequate housing policies, families affected by the crisis find it increasingly difficult to afford the costs of their homes and evictions are increasing. Caritas Italy observes that homelessness has been growing, with some of those who are struggling to pay rent ending up on the street, unable to find work and moving from one place to another in search of a job. Caritas Greece points to the need for statistics on homeless people in Greece and a service to be established in order to provide accommodation (2014).

Conclusion

It is clear that there has been a very strong focus on consolidation and structural 'reforms' in the countries considered in this report and that short time-spans have been allowed for their implementation. And while there are references to protection of vulnerable groups, and while a few positive measures have been highlighted by Caritas member organisations in the various countries, the reality is that, in the main, serious attention has not been given to the implications, including long-term impacts, of the very significant range of measures agreed or imposed – particularly as they are being imposed on countries that mainly had gaps in their systems of social protection at the outset of the process. The lack of emphasis on the social implications of the measures taken was something evidenced recently in an analysis of the language used in the documents which have been entered into with programme countries (Sapir *et al*, 2014).

Even for countries not in receipt of financial assistance from the Troika or those that have exited from programmes, the new EU governance rules mean that policies of retrenchment and austerity are set to continue for many years unless there is a change of direction. Increases in poverty levels, difficulties accessing services and alarming levels of unemployment, especially long-term and youth unemployment, illustrate again how a change of direction is required from the current prioritisation of austerity. The situation of children and the blighting of the prospects of future generations must be a very real concern – one that has economic consequences as well as social and humanitarian ones. Even where improvements and recovery is in evidence, there is a risk that those worst affected will be left very far behind and this will be to the detriment, not just of individuals and families, but of Europe as a whole.

Part 2

THE CARITAS RESPONSE

Introduction

Member organisations and affiliates of Caritas Europa work across a very broad range of contexts and in a variety of ways. Most provide services to people in need, others focus on advocacy and many do both. Seven of these organisations have contributed to this report by collecting data, by sharing accounts of their work to support people affected by the crisis and by reflecting on the impacts of the crisis and austerity measures as they relate to different groups.

Their experiences have informed the past Caritas *Crisis Monitoring Reports*, of 2013 and 2014, and the earlier sections of this report, and in this section we include some accounts of their work, including specific projects undertaken in response to the difficulties currently faced by their countries, and we also include some testimonies from people who have been reached by their work. In this report we are focusing especially on changes during the past year or so.

Programmes and Initiatives of Caritas Member Organisations

Cyprus

Caritas Cyprus is a registered association in Cyprus and is part of Caritas MONA and Caritas Internationalis, a worldwide organisation operating in 164 countries. It acts for the poor and the vulnerable regardless of race, religion or gender. Its mission is to work for a better world, especially for the poor and oppressed. Its aim is to promotepeace and reconciliation, human dignity, justice and solidarity, love and sharing, and to eliminate discrimination. Its targets are the poor, older people, children, migrants, asylum seekers, refugees, disabled people and vulnerable people.

The Board of Caritas Cyprus is comprised of 10 members, of whom 4 are spiritual leaders/advisers and 6 are professional persons. All Board Members are actively involved in the organisation in a voluntary capacity. Membership of the organisation throughout Cyprus totals more than 100 and there are 200 volunteers. The organisation operates through its parishes in all cities where there are Catholic parishes (Latin & Maronite), through its members and volunteers.

The organisation provides food and clothing to poor people and advice, assistance and counselling to young people, unemployed and disabled people as well as to migrants, asylum seekers and refugees.

The Migrants' section of the organisation offers assistance with administration issues, plus medical and legal consultancy. Sometimes, when funds are available through its own fundraising events and donations, the organisation contributes through its parishes towards airline tickets, legal fees and accommodation to desperate migrants and asylum seekers.

The organisation communicates, co-operates, networks and has good relations with many NGOs operating in the field of migrant and asylum seeker issues, with Consulates and Embassies as well as with other faith-based organisations in Cyprus. In addition, the organisation has contact, communication and access to knowledge, information and experience with its fellow Caritas organisations throughout the world in countries where many of the migrants and asylum seekers in Cyprus originate.

A list of previous projects of Caritas Cyprus includes:

- 2006 the Lebanese war – Caritas Cyprus provided emergency aid to refugees through volunteers providing food, accommodation, translation and other services,
- 2012/2013 - providing food, clothing, advice, assistance, counselling, and accommodation to migrants and asylum seekers through the Catholic parishes in Cyprus,
- 2013 - establishing food banks in all the Catholic parishes and regularly collecting and distributing food to the poor,
- 2013 - providing support, assistance, advice and counselling to the youth, unemployed people and disabled people,
- 2013 – establishing an office in Nicosia, the capital of Cyprus, to assist in the operations of Caritas Cyprus and to join the global network of Caritas.

CYPRUS, ONE PERSON'S STORY ...

I am from Iran and came to Cyprus in 2000; my wife came in 2001. We sought asylum in Cyprus. I was granted asylum in 2001. I was classified as a recognised refugee in 2003 with the same entitlements as a Cypriot citizen except that I cannot leave Cyprus for more than 3 months. Both our children, aged 12 and 7, were born in Cyprus, go to Greek Cypriot schools and speak Greek fluently.

I have a degree in translation (English and Farsi) from a university in Iran and since 2005 I have been employed in various jobs, including as a logistics and warehouse supervisor, and finally from 2009 as a marketing and sales assistant manager for a Cypriot canning business. In February 2013 I was made redundant, as, following the economic crisis and the trend in public opinion, the job was to be given to a Cypriot national. I have been unemployed since then.

I have tried to find employment outside Cyprus, as other Cypriots have done, and in fact I was offered a job as a translator overseas but due to my residency restrictions in Cyprus, I was unable to take it up. I applied for Cypriot nationality in 2008 and my application is still pending with the authorities. I have applied to the UNHCR for resettlement in another country but I am informed that I do not qualify.

My wife works part time in a bakery and on that we have to pay our rent, food, travelling expenses, electricity, water, utilities, clothing, medical expenses, etc. We are still waiting for a contribution from welfare. As we don't qualify for medical/hospital aid, I am really worried in case one of my family falls ill. My children are stateless and they have been denied an identity card.

Caritas Cyprus Migrant Sector has shown us Christian compassion and provides us with some food and clothing and they also assist us with our legal/administrative procedures with the Government, the Ombudsman and the UNHCR.

However, I am seeking a life and future for my family. I believe my family would be an asset to any country.

Cyprus: Responding to the Crisis

In order to help families and individuals of Catholic as well as the other communities, Caritas Cyprus organises:

- food and general household goods' collection and delivery (organised especially since March 2013),
- house repairs, medical treatments, legal consultancy and meeting of other needs,
- seminars to promote awareness and encourage people to become volunteers and to offer help,
- fund-raising events (such as bazaars, bingo events and competitions).

The Migrants section, dealing with migrants, refugees, victims of human trafficking and foreign workers, provides shelter, food and assistance with medical, legal and administrative issues. In cooperation with the Cyprus Administration and other NGOs, they arrange for the repatriation of those who wish to be repatriated. They deal with many cases daily and the numbers requiring help has increased greatly since March 2013.

CYPRUS, ONE PERSON'S STORY ...

Mr. J is 60 years old, a refugee, with health problems, who is divorced with two children. He was a worker at a factory, living in a rented room, and receiving a rent allowance from the government. In 2012 he was made redundant and he was entitled to compensation from the Redundancy Fund and Provident Fund.

As a refugee, homeless, and with a low income, he applied to the Government for a house. After a long wait, in 2008 he was told that due to a lack of houses he would be given €45,000 instead of a house. He was told that he was on the list of approved names, but, due to lack of funds, he was told to wait. He used the Provident Fund and Redundancy Fund to cover part of the cost of a small flat he bought with the help of his family. He received a loan from the Co-op that he was supposed to repay using the housing grant of €45,000 he had been approved to get.

In 2014 he was told that due to the financial crisis, the amount of €45,000 was going to be reduced to €20,000. Until now he has not received any money from this grant. He receives a monthly grant of €552 for citizens with no or low income. Due again to lack of funds, the monthly allowance is often considerably delayed, creating a survival problem for him. Additionally, the whole situation makes it impossible for him to financially support his two children.

Greece

Caritas Greece represents the local Caritas of the Catholic ecclesiastical provinces in Greece at national, European and international level. Caritas Greece coordinates and promotes charitable, spiritual and social action, based on the social teachings of the Catholic Church. Volunteers are crucial to the delivery of all their work and they are supported through seminars and workshops. Their work has a number of different aspects to it that includes advocacy and campaigning as well as programmes for people in need.

Advocacy and Campaigning:
Caritas Greece works on advocacy in collaboration with Caritas Europa in support of issues at the heart of the strategic plan of Caritas Europa, viz. trying to influence EU policies. As well as Caritas Europa, they work with other members of the European network of Caritas and with Caritas Internationalis (for example, on issues such as child poverty, migration, social exclusion, homelessness, trafficking, and others). Caritas Greece works with local Caritas organisations and participates in working groups, in conferences, forums, campaigns and research projects in collaboration with other agencies and organisations in Greece.

Programmes in support of people in need:
A wide variety of actions and projects are undertaken to support people in need. They include:

- collecting and distributing clothing, household utensils, furniture and such-like,
- collections of food and medication for poor families and individuals, unemployed people, homeless and sick people,
- regular visits to prisoners and their families from priests and volunteers, for spiritual, moral, material and religious support,
- various recreational and spiritual events for older people,
- social solidarity expressed through visits to hospitals, nursing homes and home visits for spiritual and moral support of older people and patients,
- regular blood donations from volunteer donors in collaboration with public hospitals.

There are specific projects relating to refugees and immigrants, a vegetable distribution project, an emergency project and a new project specifically designed to respond to the economic crisis.

Vegetable Distribution - Through Caritas Syros, agricultural producers from Syros island offer their surplus products that are not sold in the local market to institutions, individuals and families in need, both locally and in Athens.

Refugees -The local Caritas in Greece deals with problems of both legal immigrants and those who are undocumented, offering a wide variety of support that includes social work interviews, visits, physical and spiritual support, information and others. The Refugee Project of Caritas Athens is highly organised. Its activities include:

- providing food to 300-320 adults and 60-80 children, who include refugees and immigrants as well as Greek people (hot meals, Monday to Friday),
- distributing essential food items to families in need once per month,
- social workers and volunteers who provide assistance to refugees and migrants living on the margins (with interviews, reviews, visits, support, counselling, information, etc.),
- providing primary health care to immigrant children (vaccinations, ophthalmology and dental check-ups, etc.) in collaboration with hospitals and volunteer doctors, along with support and counselling to breastfeeding mothers,
- offering opportunities for refugees and immigrants to learn Greek and English so that they can integrate better into the local community.

Elpis Project (or 'Hope' Project)

The Elpis Project ("Elpis" means Hope) is funded by Caritas Italy, Caritas Spain, Caritas France, CRS and several Italian diocesan Caritas and is undertaken by Caritas Greece in collaboration with Caritas Europa. The project provides support to 500 poor families in different geographical regions of Greece through a monthly distribution of food and non-food items. The main goals of the Elpis Project are to contribute to the reduction of the consequences of the crisis among poor and socially excluded people and to develop the network of Caritas in Greece in order to be able to help more people.

Emergencies - Caritas Greece is a member of SEECEG (South East Europe Caritas Emergency Group) whose purpose is to provide assistance to Balkan countries in areas affected by natural and human disasters (earthquakes, floods, fires, wars, etc.). The group co-ordinates actions between member organisations and meets regularly to exchange experiences and practices.

GREECE, ONE PERSON'S STORY ...

I arrived in Greece in 2004 from Albania. At first I had occasional jobs, but since 2008 I have been insured and work as a cleaning lady. This last year my wage was reduced by 40% and ever since then it has been very hard for me. I raise my two children alone and my pay cheque barely covers the rent and the bills.

I accept the help of the Church and Caritas, but I essentially survive on my previous years' savings. When that money is gone, I do not know what will happen to us. I buy only the essentials at the supermarket. I cut back on everything. I go to the open market for fruit and vegetables, late at noon, when they sell their last remaining products at a very low price. Despite my financial status, I do not want to return to Albania. I try to be positive for the future.

Greece: Responding to the Crisis

Elpis Project "Hope" - The Elpis Project, described above, is the first project of Caritas Greece organised and co-ordinated at a national level and implemented by local Caritas organisations. It has operated for the second consecutive year, improving and reaching more than 500 poor families per month. The programme combines two goals: a) immediate relief to the families through the distribution of food, non-food items and psychological support, and b) the empowerment of the Caritas Greece network. The latter is necessary, so that Caritas Greece becomes more autonomous, independent and even more capable of providing sufficient help to ever more people.

Fraternisation Programmes - Following an appeal of Pope Benedict 16th to provide help to poor families, the Church of Italy planned programmes of fraternisation in co-operation with Caritas Greece. More specifically, programmes were launched between the regional Italian Caritas dioceses and the regional Greek Caritas, so that plans for mutual support may evolve. The first meetings have already taken place and co-operation has begun. The meetings involve activities of pastoral care, cultural exchange, pilgrimage and volunteer activities, as well as programmes of solidarity, agricultural and tourist development and the creation of 'support groups for the family'.

Tackling Unemployment and Capacity Building, Caritas Hellas Project – This project offers opportunities to four unemployed/under-employed people to work, to gain work experience and training for one year in Caritas. At the same time, via the recruitment of these people, the network of Caritas in Greece will be enhanced. More specifically, the new staff will improve the capacity of the network of Caritas in Greece to analyse and deal with the causes and the impact of poverty in the country. Furthermore, they will improve communication capacity, the exchange of information and promotion of the work of Caritas in Greece. Finally, they will improve the fundraising capacity of the Caritas network in Greece.

GREECE, ONE PERSON'S STORY ...

I am divorced and live with my two adult sons. I suffer from cancer. I do not work and the only income in the house is the disability allowance that my son, who suffers from Down Syndrome, gets. Financially, we are in a very difficult position, since, apart from the basic expenses of a family, we also have to pay for doctors. Public hospitals do not always provide adequate service; therefore, we are sometimes obliged to visit a private doctor. The social services do not offer specific benefits.

Ireland

Social Justice Ireland advances the lives of people and communities through providing independent social analysis and effective policy development to create a sustainable future for every member of society and for societies as a whole. It works to build a just society through developing and delivering credible analysis and policy to improve society and the lives of people. It identifies sustainable options for the future and provides viable pathways forward. In all of this *Social Justice Ireland* focuses on human rights and the common good.

Social Justice Ireland works to improve the quality of public policy by influencing the public debate to ensure it focuses on what matters most to people who are poor or vulnerable or in need. Thus it gives special priority to national and international issues related to poverty, inequality, social exclusion, sustainability and the environment. It focuses especially on ensuring that the future being developed is one in which all people, and the whole person, are developed simultaneously and in solidarity.

It is one of the leading advocates for the changes needed for a future that is sustainable economically, environmentally and socially.

Social Justice Ireland works both nationally and internationally in recognition of the inter-relatedness of the local and the global, which requires that issues be addressed at different levels to ensure appropriate solutions are identified and implemented. In this context *Social Justice Ireland* collaborates with Caritas Europa on a wide range of issues particularly at an EU level.

The experience of its member organisations informs the work of *Social Justice Ireland* and membership is open to individuals, organisations, groups and companies, public and private, who share the organisation's values and support its mission to build a just society. Its work includes:

- playing an active part in the national Social Dialogue process in Ireland and the EU,
- producing studies and publishing extensively on public policy, including an annual socio-economic review, regular policy briefings and publications on specific topics, and maintaining an extensive web site with relevant up-to-date material on a wide range of social justice topics,

- resourcing and supporting a post-graduate Master's degree in Social Justice and Public Policy,
- leading a Budget analysis project, which includes an analysis and critique of Government's annual Budget and making submissions to Government and other relevant bodies on policy issues,
- organising an annual social policy conference on a relevant topic with broad participation from across a wide range of sectors.

IRELAND, ONE PERSON'S STORY ...

It is the future I am concerned about. Without support and work for our young people what does the future really look like for this country? It is bleak. Although I put myself through college and managed to get a first class honours degree I can't get a job.

From: "The Human Face of Austerity as witnessed by the Society of St Vincent De Paul"

Ireland: Responding to the Crisis

Social Justice Ireland met four times each year with the International Monetary Fund, the European Central Bank and the European Commission while Ireland was engaged in the programme of assistance. We now engage with their representatives in Ireland on a biannual basis to discuss initiatives being taken and the impacts, as well the impact these initiatives are having on people, economies and societies. We provide regular analyses and critique of initiatives as well as policy proposals to address present and future challenges.

Social Justice Ireland is currently engaged in a regular structured dialogue with seven different Government departments addressing a range of issues, such as poverty, education, healthcare, housing, community development, taxation, public expenditure and the annual Budget.

IRELAND, ONE PERSON'S STORY ...

I have been living in Ireland for more than 11 years. I just read in the news this morning about how there have been more than 90,000 families on the waiting list for social housing for more than 4 years. I think it is even more than that. For example, my family, we've been waiting since 2007. The most painful thing for us in the last 11 years is that we have been paying rent of, on average, 1000 Euros every month. Sometimes our jobs were up and down. My wife worked for 6 years in this country but in 2010 she lost her job and since then she has tried to get new training but after training she has never gotten a job. As for myself, I lost my job in 2009 and I chose to go college. In 2009 I started the Fetac level 5 in [Name of college] and when I finished I started the level 7 course of social care in [Name of college]. I have finished the 2 years, but I still have to go back this September to finish my degree. Last year I stopped my course because of money difficulties and I decided to work in a casual job. When I started the casual job, our rent allowance was immediately stopped by the Rent Allowance Unit. To be honest my job is not really full time because sometimes I may work only 2 days a week. Since last year (2013) we have started to pay 925 Euros again in rent and the Social Unit allowance won't pay anything until we send my payslips, and even when I do so, we'll still have to wait 6 weeks for them to make a decision and when the rent is due we have to pay for it ourselves and sometimes we don't have this amount of money. For example, this month I have worked only a few hours so it will be hard to pay it. It is a very painful situation.

Italy

Caritas Italy is the pastoral organisation of the Italian Episcopal Conference whose aim is to promote the expression and testimony of charity of the Italian Catholic church community in co-operation with other institutions in ways that are appropriate for the complete development of the human being, social justice and peace, considering the times and needs, with particular attention to poor people, and with a mainly pedagogical role. There are 220 diocesan Caritas organisations connected with Caritas Italy, but each of them is legally autonomous and connected to its own diocese. Parish Caritas organisations are present in approximately 30% of the 26,000 Italian parishes.

Caritas in Italy carries out a wide variety of activities, most of which are for people who are poor or otherwise in need. Other activities operate more at an institutional level, such as training, and co-operation with other organisations and institutions.

At a national level, diocesan Caritas promotes and runs approximately 700 social services. They include a wide range of services: canteens, dormitories, food aid distribution centres, and especially Centri di Ascolto (CdA). CdAs are counselling centres, of which there are over 2,500, where marginalised and disadvantaged people find a welcome and a sympathetic hearing of their problems. It is estimated that a total of about 500,000 people attend Caritas CdAs in Italy. On average, 70% of CdA users are immigrants. In northern Italy there are more immigrants, while in southern Italy there are more native Italians.

Italy: Responding to the Crisis

During 2013, CdAs participated in a national survey about the activities undertaken in response to the crisis. A total of 814 CdAs participated, linked to 128 dioceses (58.2% of the total), located in 19 regions. This is not a complete sample of the 2,832 CdAs in the country, but it is still a very significant percentage of them (28.7% out of the total).

Update: Caritas *Centri di Ascolto* beneficiaries in 2013

- 135,301 people requestedng help in 2013
- 38.0% were Italians
- 26.5% were younger than 35 years of age
- 6.0% were older people
- 54.4% were women
- 15.4% were separated/divorced (of which 22.7% were Italians)
- 72.1% had children (of which 74.8% were Italians)
- 12.6% were separated/divorced parents
- 13.6% were homeless
- 61.3% were unemployed
- 5.0% were retired
- 59.2% were having serious economic poverty problems
- 6.2% were having serious housing problems

Based on data updated on December 31st 2013, 814 centres, 128 dioceses (58, 2% of the national total)

Overall, Caritas Italy has experienced increased demands on its services and has engaged in a wide range of responses across the country. Compared with trends in recent years when there has been a steady increase in the number of people in distress being helped by Caritas Counselling Centres, the data for the period 2012-2013 indicates that the situation was variable in different places. The demand for help has certainly increased - the lines of people queuing in front of our service are getting longer - but not all of these cases are taken on by Caritas Counselling Centres. This is due to many factors, including the increasing complexity of cases, and the consequent fact that more time for listening and repeated consultations are often required. For this reason, there are other situations in which decreasing numbers are matched elsewhere by increasing numbers of Caritas users.

A national survey revealed the presence of 1,148 counter-crisis projects run by almost all Italian dioceses (215 out of a total of 220). The updated data confirms the growth in initiatives, and this is particularly evident when comparing the current projects with those of 2010: in just four years the diocesan initiatives have almost doubled (+99.0%). Looking at trends over the past four years, there has been an increase in making non-repayable financial support available and innovative activities (shopping cards, solidarity shops, etc.). Compared to 2012, we can see a decrease in job searching, while the number of micro-credit projects remains stable.

The data from the Counselling Centres confirms the growing presence of Italian users. The middle classes, and social groups not traditionally associated with social problems, are increasingly affected by economic vulnerability. According to witnesses, the willingness/ability to apply to charities remains low: not all individuals and families in financial difficulty are turning to charities or other similar entities. Services tend to attract different social groups with, say, more middle-class families and people who may be considered part of the 'new poor' engaged by innovative services.

These programmes include a wide range of innovative activities. They tend to be highly empowering projects, requiring the commitment of beneficiaries, and which do not necessarily provide material or economic aid. These kinds of programmes are consistent with the national debate about the importance of reciprocity and the commitment of social benefit users. For instance, some of these programmes aim to create contacts and promote networks of families. The network of solidarity between families is intended to complement food distribution with the involvement of families willing to provide aid in terms of time, financial resources, material goods, etc.

Other innovative projects are intended to help families with legal and administrative advice. This form of accompaniment is sometimes provided by a 'family tutor' who can also take action to mediate between debtors and creditors (e.g., mediation with the local authorities in case of unpaid bills), or help with consumption and indebtedness patterns of households (family budgeting).

In many cases, traditional and innovative activities are carried out simultaneously as the same family can be involved in innovative interventions and also be helped by traditional assistance. The main purpose of the innovative projects is to attract people who might not otherwise apply to Caritas.

Portugal

Caritas Portugal is an official institution of the Portuguese Bishops' Conference. Its mission is to be an example of the social pastoral action of the church. The Caritas network in Portugal is composed of 20 diocesan Caritas and local groups, covering the whole country. Caritas Portugal promotes international co-operation projects in southern countries, mainly in Portuguese-speaking countries, together with the national Caritas. It also works collaboratively with Caritas Europa and other Caritas organisations, mainly on advocacy or on practical projects.

The main activities are:

Pastoral

- Caritas day: happens on the 3rd Sunday of Lent when each local Caritas organises its activity programme around a common theme. The previous week is dedicated to promoting the Caritas action and to fundraising.
- Project '+ Próximo': provides and promotes training to the people that work in the Social Pastoral area of the Church.
- 10 Milhões de Estrelas – um gesto pela Paz: Awareness activity related to peace and justice. It aims at focusing Christmas on its Christian values and to project an image of co-responsibility for the promotion of peace.

Advocacy and Research

- NOS – Social Observation Unit: provides analysis of the national social context with expert opinions and with data collected from parishes on the perspective of CST. It also engages in advocacy aimed at decision-makers and at society in general on social issues.

Projects

- Fundo Social Solidário: The solidarity fund is an initiative of the Portuguese Bishops' Conference; its objective is to contribute to resolving severe social problems caused by the crisis. It is managed by Caritas along with church institutions. Last year it supported 3,957 persons facing difficulties with issues like housing costs, health, education or jobs.
- 'Prioridade às Crianças': the Portuguese Bishops' Conference issued a pastoral letter entitled "all priority to children" and challenged Caritas in Portugal to deepen its work on child poverty. Besides providing regular training to the pastoral agents on the issue of child poverty, the project last year evolved into family support and it reached 115 children.
- Emergencies: in Portugal, Caritas responds to emergencies in partnership with the respective diocesan Caritas and with national and local authorities (such as the forest fires of 2003 and 2005, the floods in Madeira and other situations). International emergencies are coordinated with Caritas Internationalis and the national offices of Caritas, as well as other stakeholders.

Portugal: Responding to the Crisis

There was a very big increase between 2011 and 2014 in the number of families and individuals supported. There are a range of issues for which people seek help; the main issue that people report is lack of income followed by issues related to work, such as unemployment or insufficient employment.

Caritas Portugal has been actively engaged in both advocacy and the development of crisis-response projects for the Caritas network in Portugal:

Advocacy: the Social Observation Unit has submitted several proposals on a variety of issues to the national authorities. These include publication of regular official data on poverty-related issues and regular presentations at specialised forums and at the national Parliament. Issues covered include better communication between the informal volunteer groups and the official social services (for better coverage and response), taxation reforms including tax reductions for large families and higher taxation of those on high incomes or with wealth.

Caritas Portugal launched the Caritas Europa Crisis Monitoring Report, 2013 in Portugal and, along with the secretary General of Caritas Europa, had the opportunity to meet with two government officials (The Minister for the Economy and the Minister of Solidarity and Social Security) as well as the troika representatives in Portugal and other politicians and decision-makers. The media impact was quite successful.

Projects: Besides the 'Solidarity Fund' and 'Priority to Children' already mentioned above, Caritas Portugal launched a study which analysed several projects financed by European funds in the last 20 years with social inclusion objectives, looking at why the results continue to be disappointing. It also collected examples of good practice amongst projects that have managed to become sustainable and that still work today. The public launch of the study took place at a Seminar that included the Director General of the European Directorate on Employment, Social Affairs and Inclusion.

The impact of the crisis on the border between Portugal and Spain has been even bigger with companies that were the only employer of the region closing and leaving entire families without any other way of earning an income. Caritas Spain and Caritas Portugal have started a project that aims to study the local resources and job opportunities on both sides of the border, to make this information available online, to promote training opportunities for the social pastoral agents, and to increase awareness for better cohesion policies for these areas.

To address the issue of over-indebtedness, the Caritas network, in partnership with DECO, the Portuguese Association for Consumer Protection, organised 77 training actions on this subject, reaching nearly 800 participants.

At the end of 2013, Caritas Portugal launched a new project called "*Rede In Spira*" www.redeinspira.com with the aim of narrowing the gap between the unemployed population over 45 years of age and companies that are willing to provide a job for people with skills and expertise. In the first months of the project more than 2,000 persons registered but only 27 companies offered a job.

The project "*Cria(c)tividade*" aims to implement and support innovative actions that promote employment and work related activities, enabling the financial empowerment of unemployed people, thus combating poverty and social inequalities. By July 2014, the project had received 100 individual applications, conducted 80 interviews and already designed 16 business plans.

Romania

The Caritas Romanian Confederation was created in order to promote its ten diocesan member organisations and its social projects that aim to help vulnerable people affected by poverty, and to contribute to lobbying actions aimed at influencing social policies both at national and international level.

Programmes in support of people in need

The diocesan Caritas organisations provide the following services as a response to poverty issues faced by the people they serve: social canteens, social pharmacies, social laundries, school retention programmes, day care centres for children with disabilities, home care assistance, and intervention in case of emergency.

The main beneficiaries of Caritas Romania programmes are children from deprived communities and families, homeless and Roma people, persons with disabilities, older people, people affected by emergencies or natural disasters.

Our member organisations have developed innovative and integrated activities in order to respond to needs. Social economy projects have been created in order to supplement financial resources and in order to put the community in contact with the organisations' beneficiaries. The social economy programmes are also intended to help the beneficiaries to achieve more autonomy and to sustain themselves without the help of the Caritas organisations so that they can get out of their precarious situations.

Romania: Responding to the Crisis

The Caritas Romania Confederation created the National Home Care Programme to offer basic services, in the form of food, transportation and housekeeping, to improve the lives and meet the basic needs of people who are confined to bed. This programme comprises a team of doctors, nurses, social workers and volunteers to provide medical services and psychosocial support. Since July 2013, the Caritas Romania Confederation along with its partners, have been developing a nationwide homecare network, entitled "*Seniorinet*". The Caritas Romania Confederation addresses the nation's aging population with social campaigns for seniors who wish to remain active despite problems that are encountered in older age. In 2013, Caritas organisations offered support and dedicated programmes to 4,000 seniors.

The number of people requesting support from Caritas organisations continues to increase each year. Unfortunately, due to difficult funding situations facing some organisations, their capacity could not be increased or has even had to be decreased. In 2013, Caritas Romania provided support and services to 16,000 persons.

ROMANIA, ONE FAMILY'S STORY ...

V is the father of a young man with severe motor-neuron-disabilities, who is also affected by a mental health condition. His wife had to leave her job when the boy was very young and is employed as his personal assistant.

V has had to change jobs five times in the last five years, due to his need to have flexible arrangements, in order to care for his severely disabled son. The frequent behavioural problems of the young man, the school environment which was unsupportive and discriminatory, required from V and his wife a constant adjustment to the daily needs of his child.

Their family income is below the poverty line and the parents have given up all medication or medical care for themselves, in order to cover the basic needs of their son. Their city is one of the poorest in Romania, in the North East region of the country. There is no public transportation available in this city, and therefore the cost of transporting the disabled child (to/from school, or to the rehabilitation services) is borne entirely by the family. The personal assistant salary is too low and no one wishes to be hired for such a position, except for disabled children's parents. Both V and his wife are completely exhausted and hopeless. In Romania, there is no respite network for the families of children with disabilities with rare diseases.

They cope with extreme difficulty and they cannot think about the future anymore ... they just take one day at a time.

Spain

The Caritas Spain national network includes more than 6,000 parish Caritas organisations, grouped in 70 diocesan Caritas, and, in turn, in their respective regional Caritas. Caritas also works to eradicate poverty at an international level operating through 164 national Caritas, with a presence in more than 200 countries and territories around the world, and integrated into Caritas Europe and into Caritas Internationalis.

Caritas Spain has 4,353 paid workers and 70,229 volunteers. When beneficiaries are included, some 4,929,361 people participate in their work (1,904,737 people in Spain; 3,024,624 in other countries). The number of people who have come to services and accommodation centres has continued to grow during the past year or so, following the same upward trend of previous years. The budget totals €276,272,706 (€246,855,081 invested in Spain, €29,417,625 in international co-operation).

A wide range of work is undertaken under the following headings:

- social development programmes
- emergencies
- international co-operation
- training
- campaigns
- research and analysis

Amongst the issues addressed through these programmes are primary care networks in parishes ('first assistance'), employment, drug dependence, focus on immigrants, and homelessness.

SPAIN, ONE PERSON'S STORY ...

My name is J. I am 52 years old, married and with two children. I stopped studying early, but I never had problems finding a job because I have experience in several sectors. In fact, I even had my own business, but due to the crisis I had to close it in 2012.

I decided to go to Caritas after a year-and-a-half of looking for a job. My personal and family situation was critical: none of us could find a job and we had to pay the mortgage. I wanted to work in whatever job I could find, but because of my age I was having a lot of difficulty, so apart from economic problems, I was starting to feel very bad about myself.

I started going to the Professional Training Service, they helped me to define a 'job search plan' and advised me to focus my search on those sectors where I have more experience. So I started to visit companies in those sectors.

They also helped me to write my resumé and increase my communication skills in order to improve my job interviews. They assisted me with getting an appointment with Social Services and the Regional Employment Service, and shortly after that, I got access to RMI [Active Insertion Income for unemployed people]. Thanks to this public assistance, my family situation is not as desperate as before.

Right now, the goal of my job search is focused on the cherry harvesting season, because that's the only activity that needs labour in the region at the beginning of April. I have already tried different companies or co-operatives and I even offered myself as a worker in collecting the fruit directly in the field. There is a good chance that I can work from May.

Emotionally, I am in a better mood, I can see things changing for the best, and I feel I have more strength to reach my goal of getting a stable job.

Spain: Responding to the Crisis

In recent years, in which the effects of the crisis have continued to affect a growing number of individuals, families and areas, Caritas has prioritised four areas of its work:

- The primary care network: parishes in which doors are open in every neighbourhood, village, and community, as an initial listening space, offering support to vulnerable people. This work has been intensified during the crisis, both in terms of the number of people concerned and in terms of the complexity of the problems faced and their duration.
- Opting for the most excluded, because some groups are now also at risk of being even more invisible and more relegated to the margins. Caritas intensifies its presence with those who are on the margins of society.
- Defending access to basic rights - such as education, health, employment, housing, participation - for all sectors of society as well as trying to ensure that the State upholds the rights of the most vulnerable.
- Fraternal co-operation and universal dimensions of response: Caritas continues to strengthen the international network of Caritas.

During the crisis the Refuge Services and Assistance are the main ways through which people access the social intervention of Caritas in Spain – mainly in parishes. An ever increasing growth in the numbers of people served has been observed since the onset of the crisis, increasing from 370,251 in 2007 to 1,300,914 in 2012. Some 26% are single people, while 74% are families. In 2012 one-third of these people (340,000) were seeking assistance from Caritas for the first time. The reasons why people seek help are varied and there are often multiple issues involved. The causes are still largely the multiple consequences of a sustained loss of jobs and/or job insecurity which drastically reduces the chances of there being sufficient income in many households, especially to meet large borrowing commitments. The reduction in financing of social protection adds another difficulty and there are basic needs which are not being met by the current welfare model. Nearly 70% of regional Caritas organisations report that the most common economic need motivating people to seek help is the need for food; this is followed by the need for help with housing and the need for help with finding work.

SPAIN, ONE PERSON'S STORY ...

I am M, female and Roma. I have been separated for more than 6 years. I had five children, but one of my daughters died when she was barely a year. My other four - ages 15, 13, 9 and 7 - are the main reason for living my life. We live in a slum, only 25 metres by the side of the Guadarrama River (region of Madrid). Our house is made of a few bricks, recycled windows and corrugated rooves of cardboard and plastic. We have the light hooked up to the mains and we get water from a well through a pump.

Our income for years, even before the crisis, is the RMI [Active Insertion Income for unemployed people] provided by the Region of Madrid, and Social Security aid for dependent children. In total, we count on €420 per month. The parish church gives us food once a week. In addition, I sell garlic at the door of a supermarket.

Every day I wake up early to help my children get ready for the day and take them to the school bus route. The worst are the rainy days because the road to the bus stop is full of puddles. When we get there, I have to help them change their shoes in order not to get the coach or the school full of mud.

In April 2011, I got to know SENDERO, a project for women developed by Caritas Getafe. At the beginning, I was reluctant to participate, but I thought my RMI benefit depended on it, so I started to attend. My integration into the centre was not easy; my colleagues did not receive me very well. Being a young woman, Roma and divorced, is something not well appreciated in my culture and I felt I was the focus of attention in the neighbourhood. Caritas showed me that with my way of being and thinking differently my dreams could be realised ... We talked many times of my potential and finally I felt encouraged.

The beginning of my labour insertion plan was very basic: learning reading and writing and doing craft activities to improve my social skills with others in the group. Little by little, I started feeling more esteemed and supported, and gradually more comfortable in the project.

In March 2012, I started a training course to be a waitress. I was very excited because I wanted to work, dreamed of having a job and being able to rent an apartment in central Móstoles, with the school and the doctor nearby; I also wanted to get my driver's licence and become autonomous. My joy was short-lived however, as I got ill just a month after the course began and could not attend. I spent several months on medical leave, hoping to improve again and to have the opportunity to apply for next year's course.

In March 2013, I started the course again with great enthusiasm: I had to complete it, and get my diploma in order to 'be someone': to have a job, a resume and show my children what I was capable of and how our lives could change. It was not easy, I could barely read or write but after many early mornings I managed to finish the course. My placements began and with them my first time working in a luxury hotel in central Madrid. The rooms, with modern amenities, were bigger than my house. I knew that was my chance, I wanted to stay working there so I had to do my best to get the job.

I got it! When the placements were over, I was asked to cover for an employee on medical leave and, despite it not being a permanent job, I felt that this opportunity was the beginning of my new life.

Occasionally I carry on covering for those on medical leave or working during peak periods.

Today I know I still have a lot of difficulties to overcome but now I've already worked, I know I can. Of course, I keep dreaming every night about a rented apartment with my four children, near the medical centre and the school, just like any other family.

Good Practice and Challenges Faced

Caritas member organisations have adopted many innovative projects and practices in working with people who are in need and in addressing the new types of problems that people are facing in their respective countries. Caritas Italy, for example, has introduced a range of new projects and of new approaches which are intended to be more acceptable to social groups who are now faced with poverty but who traditionally did not avail themselves of these services. As described above, such projects include the promotion of solidarity between networks of families. Other Caritas organisations have developed projects at a national level to target specific groups, such as the Elpis project of Caritas Greece. Some target groups identified as particularly vulnerable, such as the home care programme of Caritas Romania, have focused on older people confined to bed. Advocacy on behalf of increasingly marginalised people is another way that Caritas organisations and affiliates support vulnerable people – witness, for example, the focus of Caritas Spain on rights of access to basic services and the extensive analysis and advocacy work of Social Justice Ireland.

A major challenge in many countries relates to reduced funding for service provision at a time when demands on services are increasing, and the problems addressed are increasingly complex, due to reductions in state services and increased numbers of people needing help. Many Caritas organisations and other NGOs are experiencing cuts in national or local government spending while also experiencing lower levels of donations from the public, and this is making it impossible to deliver the level of services required to meet the demand from people in need.

Many of the organisations rely on volunteers to deliver their services, and, for some, the ongoing recruitment of younger volunteers is a problem.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Η αρρώστια και η φτώχεια δεν είναι ντροπή
Ντροπή είναι
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Part 3

PROPOSALS FOR REFORM

Introduction

Respect for human dignity is a founding principle of the European Union, whose aims include promoting full employment and social progress, combating social exclusion and discrimination and promoting social justice and social protection (European Commission, 2008). We believe that a genuine alternative based on the principles of social justice and sustainability is vital for the future of Europe. The context is challenging with much of Europe still dealing with the continuing effects of the 2008 crisis and pursuing austerity policies. This may suggest that the way to address this requires policies that stimulate any kind of economic growth. However, we know that the world is faced by an enormous environmental challenge, which, it could be argued suggests that we simultaneously need a halt to economic growth. A major question is how we can move towards guaranteeing a secure livelihood and a decent level of well-being for everyone while also living within our economic and environmental means. What is clear is that 'business as usual' is not an option and thus alternative strategies must be presented, debated and adopted. What is also clear is that now is a time for new thinking and a new kind of ambition. A growing consensus is emerging that the old model cannot deliver well-being, environmental stability and social justice in a world where poverty and hunger occur simultaneously with over-consumption.

A new progressive approach would cease to focus so much on GDP growth (that doesn't of itself maximise well-being or secure social justice) and move towards an economy that is more equal, provides good jobs, minimises negative environmental impacts and maximises well-being and justice. In this section we discuss some of the policy frameworks that are part of the debates currently taking place on what is required if we are to move towards a new, sustainable vision.

In 2008, the European Commission adopted a Recommendation on the active inclusion of people excluded from the labour market (subsequently endorsed by the Council and the Parliament). The Recommendation commits to a balanced approach to active inclusion involving three equally important pillars:

1. **inclusive labour markets** – ensure 'effective help to enter or re-enter and stay in employment',
2. **adequate income support** – 'recognise ... [the] basic right to resources and social assistance sufficient to lead a life that is compatible with human dignity as part of a comprehensive, consistent drive to combat social exclusion', and
3. **access to high-quality services** – 'appropriate social support through access to quality services ... including ... services ... essential to supporting active social and economic inclusion policies' (European Commission, 2008).

We will use the headings set out by the European Commission as its three pillars of active inclusion – inclusive labour markets, adequate income support and access to high-quality services – to refer to some alternative policy approaches that have been proposed. Two issues that cut across all issues and that must be integral to any future policies pursued will also be mentioned – viz. greater participation of people in decision-making and sustainability across the social, economic and environmental spheres. This recognises that any new models have to be framed within the limits imposed by the need for environmental sustainability.

Finally, we include, in **Appendix 3** to this report, a comment on the role of monetary and fiscal policy in facilitating progressive change for vulnerable groups, written by Dr Seán Healy of Social Justice Ireland.

The intention in this section is not to prescribe any particular approaches, but rather to set out in brief the starting points for some of the strategies that are currently being employed and for some that are currently the subject of increasing debate and consideration.

Inclusive Labour Markets

It is clear that the crisis has led to more insecure employment contracts, which increases segmentation of the labour market and reduces the protection available to the most vulnerable. This, as the European Parliament has recognised, highlights the need for the creation of new jobs to proceed in accordance with the basic principles laid down by the International Labour Organization involving decent work and quality jobs, including decent working conditions, the right to work, health and safety at work, social protection and arrangements for worker representation (European Parliament, 2011).

Full employment was regarded as a standard objective of economic policy after the Second World War but unemployment began to edge upwards from the early 1970s. Unemployment is not considered compatible with fundamental human rights by some people, in that they claim it denies those affected access to income and hence participation; it stigmatises those affected and reduces the opportunity for advancement, and it violates basic concepts of membership and citizenship (Centre of Full Employment and Equity, n.d.). Furthermore, unemployment does not affect all groups equally with young people, older people and people with lower skills or educational levels typically most affected (Centre of Full Employment and Equity, n.d.).

Others, however, would reject this approach, pointing out that it is possible to have meaningful work and sufficient income to live life with dignity without ever having paid-employment. They claim that it is a denial of people's human rights to insist that their income be accessible only through a paid job or connection to a paid job in the past.

What is vitally important is to create as many sustainable, quality jobs paying good wages as possible. Also, everyone must have the right to sufficient income to enable them to live life with dignity irrespective of whether they have ever had a paid job or not. There is a major challenge facing our world at this time if we are to ensure that everyone has both meaningful work and adequate income.

Progressive approaches to jobs policy are exploring how to achieve full employment, as central to well-being,[13] a decent living for everyone, as well as satisfying work, and work in the right quantities – in other words, neither too much work nor too little, both of which damage well-being,[14] and an economy that can flourish within environmental limits (Greenham *et al*, 2011). Caritas Europa takes a definition of work that goes beyond 'employment' or 'paid work' and that encompasses 'participation, exchange and recognition ... self-esteem and meaningfulness' (Caritas Europa, 2010) and recognises the following definition of the International Labour Organization:

> *'decent work ... involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families … better prospects for personal development and social integration, freedom for people to express their concerns …'*
>
> (International Labour Organization, 2007, p.4).

Fundamental questions are now being asked about whether the market economy, with its move away from industry and manufacturing towards a 'knowledge economy' is capable of delivering these things. Can the 'trickle-down effect,' that is, the wealth and job creation potential of entrepreneurs and wealthy individuals, really deliver even one of the essential needs - full employment?

One of the debates that arises in this context is that of valuing all work. A second relates to government guaranteeing work as a response to widespread unemployment, particularly long-term unemployment with its detrimental consequences for individual and societal well-being. A third, which will be referred to very briefly, relates to reductions in hours worked by everyone. Finally, the need for investment by government will be discussed.

1. Valuing All Work

When we talk about the 'working week', people usually mean paid work, although not all the work that is done is paid. Nonetheless, ideas about who we are and what we value are shaped by ideas about paid employment, and the priority given to paid work is a fundamental assumption of current culture and policy-making. Other work, while even more essential for human survival and well-being, such as caring for children or sick/disabled people, often done by women, is almost invisible in public discourse. But because well-being relies on work and relationships (and other things), there must be a fair distribution of the conditions needed for satisfactory work and relationships – and this is particularly important for ensuring equality between men and women.

There is a need to recognise all work, including work in the home, work done by voluntary carers and by volunteers in the community and the voluntary sector. Their contribution to society is very significant, not just in terms of social and individual well-being, but also in economic terms. The European Commission has estimated that the time spent on housework and care per day could represent +/-830 million hours per day in the EU or nearly 100 million full-time equivalent jobs (European Commission, 2012a).[15] The introduction of a basic income (see below) is one means of enabling the recognition of all meaningful work in practice.

2. Job Guarantee Schemes

Based on the self-evident fact that the unemployed cannot find jobs that are not there, thinking has been developed around the idea of job guarantee schemes. High levels of unemployment co-exist with significant potential employment opportunities in areas such as conservation, community and social care. A Job Guarantee Scheme is one approach to this, in which the State assumes the role of 'employer of last resort.' The concept involves government absorbing workers displaced from private sector employment. It involves payment at the minimum wage, which sets a wage floor for the economy. Government employment and spending automatically increases as jobs are lost in the private sector.

Amongst those championing the idea is the Centre of Full Employment and Equity, at the University of Newcastle. Based on

[13] There is clear evidence that high well-being is associated with low levels of unemployment and high levels of job security (Greenham *et al*, 2011).
[14] Well-being rises as hours worked rise but that applies only up to a certain point: well-being starts to drop as hours become excessive (Greenham *et al*, 2011).
[15] An example from the UK suggests that if the average time spent on unpaid housework and childcare in 2005 was valued in terms of the minimum wage it would be worth the equivalent of 21% of GDP (Coote *et al*, 2010).

analysis across countries, they argue that the private sector has always only been able to employ around 77% of the labour force; unless the public sector provides jobs for the remaining workers seeking employment, unemployment will remain high[16] (CofFEE, n.d.). Costs of Job Guarantee Schemes have been calculated for a number of countries and it is considered relatively cheap, in comparison with the costs associated with unemployment[17]. It also results in a multiplier effect from the contributions to the economy of the workers concerned (CofFEE, n.d.).

The Job Guarantee proposal acknowledges the environmental problem and the need to change the composition of final economic output towards environmentally sustainable activities. The required jobs could provide immediate benefits to society, and are unlikely to be produced by the private sector - they include urban renewal projects and other environmental and construction schemes (reforestation, sand dune stabilisation, river valley erosion control and the like), personal assistance to older people, assistance in community sports schemes, and many more (CofFEE, n.d.).

Such schemes are not intended to subsidise private sector jobs or to threaten to undercut unionised public sector jobs. Any jobs with a set rate of pay, or in the private sector, should not be considered. Only those jobs that directly benefit the public and do not impinge on other workers should be considered. Neither is a Job Guarantee Scheme intended to replace other social programmes. However, Job Guarantee Schemes could complement a social support system such as a Basic Income scheme (see below), and provide individuals with income security while they transition from unemployment to a state-sponsored employment scheme and ultimately back into the open labour market (Caritas Europa, 2012).

A recent example of a partial Jobs Guarantee Scheme is the Youth Guarantee, agreed by the European Council in June 2013, in which Member States committed themselves to ensuring that all young people up to the age of 25 receive a high-quality offer of a job, an apprenticeship or a traineeship within four months of becoming unemployed or leaving formal education. While a valuable initiative, one problem that arises in schemes such as this, often introduced when times are hard, is that the additional resources to be provided at national level are often taken from other services that may well have been supporting other unemployed or vulnerable people who were long-term unemployed or were outside the age group to whom the new initiative applies. The end result therefore may not reduce the overall problem of unemployment or social exclusion.

3. Shorter Working Week

The starting point for debates about shortening the working week is that there is nothing 'normal' or inevitable about what is considered a typical working day today, and that what we consider 'normal' in terms of time spent working is a legacy of industrial capitalism that is out of step with today's conditions.

A shorter working week of 21 hours is one proposal made as the new standard generally expected by government, employers, trade unions and employees (Coote *et al*, 2010). It is intended to address problems of over-work, unemployment, over-consumption, high carbon emissions, low well-being, entrenched inequalities and lack of time to live sustainably, to care for each other or to enjoy life. Crucial to this proposal is that made already about moving toward valuing both paid work and unpaid work; it is intended to spread paid work more evenly across the population, reducing unemployment and its associated problems, long working hours and too little control over one's time. It is also intended to allow for unpaid work to be distributed more evenly between men and women, and for people to spend more time with their children and to contribute to community activities.

Amongst those who, during 2014, have expressed support for this idea is Mexican telecoms billionaire, Carlos Slim (often identified as one of the two richest people in the world), who suggested that a new three-day working week could and should become the norm as a way to improve people's quality of life and create a more productive labour force. A UK doctor, John Aston, President of the UK Faculty of Public Health (a body that represents over 3,000 public health experts in the UK), has also called for a four-day week to deal with the problem of some people working too little while others do too much and thus to improve the overall health of the public (Guardian, 2014).

4. Investment

With European countries focusing on austerity measures and experiencing high levels of personal debt and weak export-led demand from other countries, it is difficult to see where growth can come from. This points to the need for policy-makers to consider investment on a sufficiently large scale to create the growth required to generate the jobs that people seek. Without investment there will be no jobs; without jobs there will be no recovery. Without recovery the countries considered in this report will be stuck in austerity for the foreseeable future. This reflects one of the basic tenants of Keynesian economics, which was most influential during the post Second World War years and which has been getting increased attention from economists since 2008.

Keynesianism requires active government intervention in ways that are 'counter-cyclical'. In other words, deficit spending is needed when an economy suffers from recession or when unemployment is persistently high, and suppression of inflation is needed during boom times by either cutting expenditure or increasing taxes: 'the boom, not the bust, is the right time for austerity at the treasury.'

[16] Excluding, presumably, recent examples such as Ireland in the 2000s where, with hindsight, it is evident that the very high levels of employment were based on an enormous boom in construction based on reckless lending and fuelled by what became one of the biggest banking crises in the world.

[17] For example, in Ireland, Social Justice Ireland has often made a proposal to Government for a Part-Time Job Opportunities Programme that has already been piloted and costed; and a costed proposal has recently been published in Greece by the Observatory of Economic and Social Development and other organisations (Antonopoulos *et al*, 2014).

Due to the new EU governance rules, any such investment would likely now have to come from off-balance-sheet sources (such as Commercial Semi-State borrowing or the European Investment Fund or pension fund investments). The areas for investment would need to be carefully chosen, aiming for job-intensive investment in essential sectors with potentially substantial returns. Examples include building new infrastructure and facilities, which might include social housing, better public health or education facilities, investment in key infrastructure like water or in sustainable energy sources. Substantial investment of this kind would of itself lift economic growth rates and there would be a multiplier effect by creating further economic activity and growth, increases in tax revenues and decreases in social welfare spending.

It should be possible for the European fiscal governance rules to accommodate, and indeed to encourage, when/where appropriate, investment of this nature as a basic tool of economic policy within the capacity of governments.

Adequate Income Support

The European Commission's active inclusion strategy envisages that the individual's basic right to resources and to social assistance which is sufficient to lead a life that is compatible with human dignity is part of a consistent drive to combat social exclusion (2008). Well-designed social protection systems are considered vital, not only to social well-being, but also to economic development. Given that growing numbers of people are experiencing long spells of joblessness in many countries and are having to fall back on less generous social assistance, the OECD has noted that it is important that social assistance be capable of supporting families in hardship and that minimum-income benefits may need to be strengthened, especially where unemployment remains very high (OECD, 2013a). The International Labour Organization has shown that effective social protection floors are not beyond what countries can afford whatever their level of economic development (2013a).

There are debates about how to achieve adequate income support for all people. Approaches that are being considered include a minimum wage, minimum income schemes, basic income schemes, and a living wage. We outline - as options - some features of each in turn, in this section:

1. Minimum Wage

A minimum wage is the lowest hourly, daily or monthly remuneration that employers may legally pay to workers. The European Commission recognises that setting minimum wages at appropriate levels can help prevent growing in-work poverty and that most Member States have statutory (or otherwise binding) minimum wages in place, although their impact can differ markedly (European Commission, 2012).

The economic crisis has brought compulsory cuts to the minimum wage in some countries. In Greece, significant cuts have happened at the request of the troika of the European Commission/ECB/IMF[18], and in Portugal there has been a freezing of the level. In Ireland a cut was introduced and then reversed.

As part of its Decent Work Agenda, the International Labour Organization has encouraged the adoption of a minimum wage to reduce working poverty and provide social protection for vulnerable employees (2013a). They recommend that governments should consult with their social partners about the levels at which the minimum wage should be set and so to take account of the needs of workers and their families and the requirements of economic development and the need to maintain a high level of employment. Debates continue about the level at which the minimum wage should be set and amongst developed economies there are substantial variations relative to full-time median earnings (International Labour Organization, 2013a).

Although minimum wage laws are in effect in many jurisdictions, differences of opinion exist about the benefits and drawbacks of a minimum wage.

Supporters claim it increases the standard of living of workers, reduces poverty, reduces inequality, and forces businesses to be more efficient. Critics claim it increases unemployment (particularly among low productivity workers), and is damaging to businesses.

One reservation about minimum wages is that they only apply to those engaged in paid employment, and do not apply to the self-employed or those doing family work or caring (International Labour Organization, 2013a). Despite limitations, the International Labour Organization concludes that they remain a relevant tool for poverty reduction.

[18] According to the International Labour Organization, the IMF considered that the minimum wage in Greece was higher than in other developed economies, but statistics presented by the ILO suggest that it was not out of the range (2013a, figure 28, p 36, 37).

A further point that is sometimes raised in this context is that a minimum wage should be accompanied by a maximum wage. Such a maximum is usually proposed as some multiple of the minimum wage.

2. Minimum Income Schemes: Most Member States of the EU have a form of minimum income scheme, protection schemes of last resort intended to ensure a minimum standard of living for individuals of working age and their families when they have no other means of support. They vary widely in coverage, comprehensiveness (that is, extent to which they are available generally to low-income people) and effectiveness. These schemes are generally intended to be short-term and countries sometimes limit the time during which they are available; eligibility is also commonly related to age, residence, lack of financial resources and willingness to work, and a trend has been identified by the Independent Network of Experts on Social Inclusion to tighten eligibility conditions (Frazer & Marlier, 2009). In many European states they play an important role in reducing the depth of poverty and social exclusion, but in some countries there are still many people on low incomes who cannot access these minimum income schemes and some are set at a low level which does not lift people out of poverty.

Most countries are concerned that minimum income schemes should not act as a disincentive to work, but, according to the Independent Network of Experts on Social Inclusion, in countries with the most generous and effective minimum income schemes, there is also a clear recognition that they play a vital role in ensuring that people do not become so demoralised and excluded that they are incapable of participation in active inclusion measures and in seeking work (Frazer & Marlier, 2009). Even in countries with the more comprehensive schemes, some groups recur as being regularly excluded or restricted in access to minimum income schemes – they include undocumented migrants and homeless people, and in some cases young people (under 25) or first-time job seekers (Frazer & Marlier, 2009).

The European Parliament passed a resolution in 2011 calling on the European Commission to launch a consultation process to explore initiating legislation to provide a sensible guaranteed minimum income system across Europe[19] and this has since been supported by an Opinion from the European Economic and Social Committee (2013).

Following a review of minimum income schemes across Europe, the Independent Network of Experts on Social Inclusion concluded in 2009 that urgent action was required if the minimum income strand of the Commission's 2008 Recommendation on active inclusion is to become a reality. They made sixteen suggestions for action on this front, starting with an agreement by the European Commission and Member States as to the common criteria for a minimum income that is adequate to live life with dignity, which could enable the monitoring of conformity and could be followed by the adoption of an EU Framework Directive on the adequacy of minimum income schemes.

Finally, under the heading of minimum income, we wish to briefly refer to a **European Employment Benefit**. The Communication from the European Commission on the issue of strengthening the social dimension of the EMU, raised the issue of a stabilisation scheme to absorb shocks - an insurance system to pool the risks of economic shocks across Member States (2013b). Another similar issue that has been debated concerns the pros and cons of introducing a European Employment Benefit. One of the contexts for this discussion has been the establishment of an imperfect monetary union within the Eurozone, where a common nominal interest rate has different impacts on countries at different stages of the economic cycle, and can contribute to the amplification of booms and recessions in Member States. A European Employment Benefit is now being discussed as providing automatic stabilisers to operate in a complementary way within the Economic Monetary Union by improving the capacity of Member States to cope with country-specific shocks and excessive cyclical fluctuations.

3. Basic Income

It is important to note that a Basic Income is fundamentally different to a minimum income. As stated above, a minimum income is intended to ensure a minimum standard of living for individuals of working age and their families when they have no other means of support. In essence a Basic Income involves giving everyone a modest, yet unconditional income, and letting them top it up at will with income from other sources (Van Parijs, 2000). It is paid to a person directly every week/month of their lives with a smaller payment for children, a standard payment for every adult of working age and a larger payment for older people. It is never taxed but in essence replaces tax credits (for those with jobs) and social welfare payments (for those without jobs). Additional payments would be maintained for those with particular needs (e.g. people who are ill or have a disability).

The inability to tackle unemployment with conventional means has led in the last decade or so to the idea of a basic income being taken seriously throughout Europe. If social policy and economic policy are no longer conceived of separately, then basic income is increasingly viewed, according to the Basic Income Earth Network, as the only viable way of reconciling two of their central objectives: poverty relief and full employment.

A Basic income is a form of minimum income that avoids many of the negative side effects inherent in social welfare payments. As defined by the Basic Income Earth Network (n.d.) a basic income is:

[19] EP resolution on the European Platform against poverty and social exclusion (2011/2052(INI)). The resolution encourages Member States to set the minimum income level at above the at-risk-of-poverty level based on at least 60% of the median income in each Member State.

'an income unconditionally granted to all on an individual basis, without means-test or work requirement. It is a form of minimum income guarantee that differs from those that now exist in various European countries in three important ways:

a. it is paid to individuals rather than households;

b. it is paid irrespective of any income from other sources;

c. it is paid without requiring the performance of any work or the willingness to accept a job if offered'.

Under this scheme, every person receives a weekly tax-free payment from the Exchequer while all other personal income is taxed. The basic income would replace income from social welfare for a person who is unemployed and replace tax credits for a person who is employed (Healy *et al*, 2013).

Amongst its advantages is lack of stigma - there is nothing humiliating about benefits given to all as a matter of citizenship, something that cannot be said, even with well-designed processes, about benefits reserved for 'the needy, the destitute, those identified as unable to fend for themselves' (Van Parijs, 2000). So it helps to overcome the problem of non-take-up of benefits which is observed in some EU countries (e.g. in France). It also removes unemployment traps because it does not cease if someone takes up employment – one is bound to be better off working as you can keep the basic income and have earnings on top of it - and it incentivises increasing one's income while employed.

It also promotes equality between men and women because everyone is treated equally and it respects forms of work other than paid work – like work in the home or informal caring. It is also considered more guaranteed, simple and transparent than current tax and welfare systems (Healy *et al*, 2013).

There are a variety of basic income proposals. They differ according to the amounts involved, the source of funding, the nature and size of the reductions in other transfers and in many other respects. They also differ on how a Basic Income might be financed. Some propose that it be financed through the present tax and welfare systems. In practice this would mean that those on low and middle-income would see net gains while the richest would be required to pay more tax as many tax breaks would be removed. Others propose that a Basic Income be financed by environmental taxation or a financial transactions tax.

A partial Basic Income system currently exists in the state of Alaska in the USA. This system is financed by taxes paid on oil produced in the State and has been in existence for several decades.

There are a wide range of Basic Income systems being introduced across the Global South. These are funded in a variety of different ways. In 2012 The World Bank published a detailed study which identified 123 Basic Income systems in various parts of Sub-Saharan Africa (Garcia and Moore, 2012). Proponents of Basic Income conceive of it as an inclusive measure that addresses the problem of large numbers of people excluded from modern economies, including people who do not have paid work and in a world where paid employment cannot be permanently guaranteed for everyone seeking it – thus it is intended to provide meaningful participation by moving beyond a wage-based society.

Opponents of Basic Income focus on perceived restrictions of freedom or on a perceived high tax rate to finance it and one of the features of the international debate revolves around the role of society as against the role of markets (Government of Ireland, 2002). Costed proposals for a basic income have been published, notably in Ireland in 2012 (Healy, Murphy, Ward & Reynolds, 2012).

Current discussion is focusing increasingly on so-called partial basic income schemes, which would not be full substitutes for present guaranteed income schemes but would provide a low - and slowly increasing - basis to which other incomes, including the remaining social security benefits and means-tested guaranteed income supplements, could be added. According to the Basic Income Earth Network, many prominent European social scientists have now come out in favour of Basic Income - among them two Nobel laureates in economics.

4. Living Wage

The Living Wage is based on the concept that work should provide an adequate income to enable individuals to afford a socially acceptable minimum standard of living. In a sense it is an income floor, representing a figure that allows employees to pay for the essentials of life. At the core of any estimate of a living wage is the question of income adequacy: how much does a minimum yet essential standard of living cost and how much income is required to afford this? The concept derives from the United Nations Convention on Human Rights which defined the minimum as 'things which are necessary for a person's physical, mental, spiritual, moral and social well-being' (Collins, 2014). With a focus on needs and not wants, the concern is with more than survival, as it is intended to meet physical, psychological and social needs, at a minimum but acceptable level (Living Wage Technical Group, 2014). Earning below the living wage suggests that employees are forced to do without certain essentials to make ends meet.

The Living Wage contrasts with the concept of a minimum wage, in being an evidence-based rate of pay which is grounded in social consensus. It is derived from consensual budget standards' research, which establishes the cost of a minimum yet essential standard of living. The cost of a minimum, essential standard of living or minimum income standard varies by household type and composition, location, and employment pattern - thus expenditure needs can be specified for a variety of household situations. Variations by region are primarily due to differences in the expenditure required for housing and transport. The calculation of the minimum, essential standard of living and the resulting minimum income follows a clearly stated and transparent process and specifies these for specific household compositions and situations (Living Wage Technical Group, 2014). The detail and flexibility of the model therefore provides an evidence-based measure, grounded in the lived experience of households, with which to assess the adequacy of wage levels across a broad variety of household situations.

The idea has been around for centuries, but campaigns in London and in the U.S. have meant that it has gained added attention over the past decade, and in cities from London to Auckland it has become an election issue (Collins, 2014). The Greater London Authority now issues an annual update on the figure and it has been adopted by more than 200 employers with more in transition to adopting it (Collins, 2014). The web site of the Living Wage Foundation lists employers that have adopted it. They include Nestle, Barclays, Aviva, ITV and Transport for London.

Access to High-quality Services

Under the heading of 'access to high-quality services,' the active inclusion strategy of the European Commission mentions access to essential services, such as social assistance services, employment and training services, housing support and social housing, childcare, long-term care services and health services (European Commission, 2008). Well-designed social policies often exhibit two or more of the three characteristics of welfare - investment, protection and stabilisation. For example, good childcare has a protection role but if well designed it has an investment role as well, enhancing the skills and inclusion of people for the rest of their lives. Good quality services are also recognised as promoting fairness, civic responsibility and social cohesion (National Economic and Social Forum, 2006).

There has been a growing recognition in recent decades of the deepening interdependence between economic and social policies as society and the economy each continues to change. This recognition includes the awareness that high employment rates bring benefits in areas such as health, well-being, social inclusion, and tax revenue. However, to achieve a high employment level requires investments in a set of services that support people in areas such as education, training, disability and activation. Good employment rates, potential and actual, require access to high-quality services.

There has also been a slow but steady move away from measuring social justice in static Rawlsian income equality terms and a move instead towards an understanding of solidarity and fairness as an obligation to give due support to the needs of each, individually, so as to enable all to flourish. This latter understanding is based on the 'capability approach' of Amartya Sen (1999) and Martha Nussbaum (2011). This ongoing transition has been well analysed by Anton Hemerijck (2013). At the heart of the new approach to social investment lies a reorientation of social citizenship away from the **compensating** 'freedom from want' logic towards the **capacitating** logic of 'freedom to act', with the condition that the latter accommodates work and family life through social services and a guaranteed rich social minimum enabling citizens to pursue fuller and more satisfying lives.

There are ongoing challenges with regard to the quality and equity of public services, including healthcare, and to their sustainability. The ageing of the European population, increased expectations of citizens, and other factors impinge on demand for services and require a range of responses across the life-course. Similar investments by different countries have different outcomes in terms of poverty, employment and health, suggesting that there is variation in the ways that resources are used (European Commission, 2013f).

The Commission's Social Investment Package envisages a move to an 'ex ante' or 'before the event' result orientation in financing decisions for social policy based on a systematic approach to the role that social policies play at different stages of life – this would mean that the longer-term outcomes of social investment be taken into account from the outset (2013f). This, of course, represents the opposite to many of the policy approaches that have been outlined in this report, where significant, ad hoc cuts have been made to social programmes like education and health without any analysis of long-term effects on people or on finances.

It is difficult to generalise about welfare systems and the public services that are intrinsic to them, with at least five

[20] The regimes can be categorised in different ways; typically five are recognised: Continental North-western Europe, Scandinavian model, Southern/Mediterranean model, Atlantic Europe (UK and Ireland) and Eastern European (Abrahamson, 2010).

types of system recognised as operating in Europe[20] and a constant feature being change and transition (Abrahamson, 2010). Different general trends have been observed over time, with expansionism (from the 1950s to the 1970s) followed by uncertainty and challenge associated with neo-liberalism. A new trend has been identified which can be described as 'productivist' (Taylor-Gooby, 2008). The 'productivist' approach, called a 'new social investment state' is promoted by the EU and the OECD and emphasises social investment with a desire to maintain the range of mass services but with pressure for cost-efficiency (Taylor-Gooby, 2008). It is said to be particularly popular with governments concerned about competitiveness and business interests and to emphasise the 'active citizen' and the 'productive citizen' (Abrahamson, 2010).

Some of the issues that are informing current debates include the following:

- **Securing Adequate Investment?** Much of the support for social investment in recent decades is based on the growing aspiration of both men and women of all social classes to be employed as well as to raise children. Consequently, they have been willing to provide the investment required to provide the necessary services to make that possible. In difficult economic times, however, there is more and more scrutiny of social spending. In the years ahead there is a real danger that in hard-hit countries, such as those studied in this report, there will be a growing marginalisation of social spending. This danger is exacerbated in the Eurozone because national and EU monetary authorities have very little room for manoeuvre. The emphasis is on deficit reduction which will continue to starve social provision of the financing required. There is a strong possibility that support for social investment will decline. This situation is worsened as electorates seem to forget that the crisis of recent years originated in the excesses in deregulated financial markets, not in excessive welfare spending. This forgetfulness tends to lead them towards rejecting welfare spending because they misunderstand it as being the cause of the crisis, which it wasn't.

- **Who Provides?** Public services are not synonymous with the public sector. A wide range of actors are now involved in service provision and the mix differs from country to country (and has done so historically). As well as the public sector, these include:
  - people and families,
  - non-profit organisations and social enterprises, and
  - the private sector.

  While it is considered that there is now more scope for private and civil society to be involved in service provision, the state is still in charge of regulation and, to a large extent, also in the financing of social entitlements (Abrahamson, 2010).

  In relation to the private sector, the European Commission notes that there needs to be encouragement to use the potential of social investment more through on-the-job training, in-house childcare facilities, health promotion and family-friendly workplaces (2013o).

- **Public Value?** The central plank of the influential 'public value' approach to the public sector is that public resources should be used to increase value not only in an economic sense but also in terms of what is valued by citizens and communities. It is associated with Moore, who argues that public services are directly accountable to citizens and their representatives and it requires ongoing public engagement and dialogue as well as rigorous measurement of outcomes (1995). The approach involves the following building blocks:
  - providing quality services for users, which are cost effective,
  - ensuring fairness in service provision,
  - concentrating more on the outcomes as well as on the costs and inputs,
  - building trust and legitimacy by convincing people that policy is geared toward serving the overall public interest (NESF, 2006).

  These building blocks are interlinked and the improvement of public services builds up support for them amongst users and others who pay for them indirectly through taxation. User satisfaction is shaped by factors such as customer service (that is, how well they are treated), information, choice, availability and advocacy (that is, knowing that the services will be available to them when needed and that they will be supported in getting access to them).

Participation in Decision-Making

Lack of structures and systems to involve people in the decision-making process results in the exclusion and alienation of large sections of society – and it contributes to inequality. Increasingly it is recognised that new approaches to participation are needed, new approaches in which well-being and the common good are considered societal goals and are discussed in processes to which all groups are entitled to contribute.

Any new approaches considered in this area have to grapple with the fact that Europeans are experiencing a sense of frustration and helplessness, with its associated risks of alienation and social disruption. This report has discussed evidence of declining levels of trust in public institutions and increases in social tensions. Trust levels in political institutions are continuing to decrease amongst citizens of the EU and there is a rise of euroscepticism in all countries – both in the north and in the periphery - as was evident in the outcome of the May 2014 elections for the European Parliament. Many voters feel that the EU's increasing dominance of national economic policy in the crisis means they can change government but they can't change policy (Leonard & Torreblanca, 2013).

The concept of 'deliberative democracy' has emerged within recent decades. It champions informed debate, emphasising politics as an 'open-ended and continuous learning process' (Held, 2006). Deliberative democratic structures enable discussion and debate to take place without the imposition of power differentials, and with available evidence used to inform such discussions. A range of methods are proposed to realise the values of deliberative democracy, including support for civic groups seeking engagement, the introduction of deliberative polls, deliberative days, citizens' juries, expanding voter feedback mechanisms, reform of civic education to encourage reflective choices, more citizen communication, and certain e-democracy initiatives (Held, 2006).

The Europe 2020 Strategy envisages a partnership approach that would aim to foster joint ownership. Work has been done by the Council of Europe on how such a deliberative approach might be formalised for the benefit of all concerned. From this has come the Charter on Shared Social Responsibilities. The Charter argues that having a well-defined deliberative process can ensure, among other things, that individual preferences are reconciled with widespread priorities in the field of social, environmental and intergenerational justice. It can also reduce the imbalances of power between stakeholders (Council of Europe, 2014). The views of the weaker stakeholders must be able to be heard and be capable of influencing decisions and results. There can be a real enrichment flowing from the participation in decision-making of people who are experiencing poverty and social exclusion. People in such situations should be directly consulted on the decisions to be made and a dialogue between them and decision-makers should be put in place and maintained.

This approach would mean avoidance of situations where the stronger stakeholders, in possession of more information and organisational power, impose priorities based on their interests alone and fail to acknowledge and compensate for the harm to which they may give rise (Council of Europe, 2014).

Sustainability

Crucial to any future policy frameworks is an integrated approach to sustainability. Sustainable development is development which meets the needs of the present while not compromising the needs of the future. In this regard financial, environmental, economic and social sustainability are all key objectives. In light of this, new indicators must be compiled measuring both well-being and sustainability in society, and used as an objective beside the traditional measures of GDP and GNP.

The exponential growth in economic activity over the past 150 or so years has led to climate change and over-consumption of renewable resources (such as trees or fish) and non-renewable resources (like oil or coal). Thus both pollution and depletion of resources have thrown into doubt the reliance on untrammelled market forces as the key driver of well-being for everyone. The current approach is unsustainable and economic policy must be designed to prevent catastrophe. A successful transition to sustainability requires a vision of a viable future societal model and also the ability to overcome obstacles such as vested economic interests, political power struggles and the lack of open social dialogue (Hämäläinen, 2013).

There is now increasing attention to ideas such as the circular economy promoted by a number of academics and think-tanks including the Ellen McArthur Foundation. The term describes an economy that is regenerative by design and that challenges the linear 'take, make, dispose' model, which relies on large quantities of easily accessible resources and energy. Instead, a change of the entire operating system is envisaged and the 'circular economy' aims to rely on renewable energy; to minimise, track, and hopefully eliminate the use of toxic chemicals; and to eradicate waste through careful design.

A sustainable economy would involve transformative change and policies being implemented, similar to those being proposed by Stahel in the 'performance economy' and Wijkman in the 'circular economy'. The 'circular economy' theory is based on the understanding that it is the reuse of vast amounts of material reclaimed from end-of-life products, rather than the extraction of new resources, that is the foundation of economic growth (Wijkman & Rockstrom, 2012, p.166). This theory involves a shift towards servicing consumer products rather than constantly producing new goods to be consumed. The policy instruments proposed in order to implement a circular economy are those which are also considered to be at the heart of the sustainable development debate. They are:

- Binding targets for resource efficiency;
- Sustainable innovation and sustainable design being given priority in terms of research; and
- Tax reform: lowering taxes on labour and raising taxes on the use of natural resources.

Alongside the theories of the 'performance economy' and the 'circular economy' is the concept of the 'Economy of the Common Good[21]'. This model, designed by Felber (2010), is based on the idea that economic success should be measured in terms of human needs, quality of life and the fulfilment of fundamental values. This model proposes a new form of social and economic development based on human dignity, solidarity, sustainability, social justice, democratic co-determination and transparency.

It has been argued that there are three 'economies' or sources of wealth, derived from people, the planet and markets that are essential for sustainable development (or alternatively posited as social, environmental and economic pillars). These are entirely interdependent and 'must work together ... underpinned by inclusive, participative and accountable governance and by the best available knowledge' (Coote & Franklin, 2009).

All three of these pillars must be addressed in a balanced manner if development is to be sustainable, and sustainability must be a criterion for all policies of the future.

[21] Christian Felber coined the term 'economy for the common good' in his book *Die Gemeinwohl-Ökonomie - Das Wirtschaftsmodell der Zukunft* (2010). According to Felber, it makes sense for companies to create a 'common good balance sheet' rather than a financial balance sheet. The common good balance sheet shows the extent to which a company abides by values like human dignity, solidarity and economic sustainability. A Guide to a common good balance sheet is available at: http://www.gemeinwohl-oekonomie.org/en/content/downloads

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Part 4

MAIN FINDINGS AND RECOMMENDATIONS

Findings - Seven Countries

In this section we bring together some of the main findings from the seven countries examined focusing on the social impacts of the crisis and, in particular, on employment/unemployment, poverty/income support and access to high-quality services.

In the early phase of the crisis (until 2009), social expenditures contributed to stabilising house¬hold incomes as the European Economic Recovery Plan led to enhanced unemployment benefit systems and these played an essential role in stabilising incomes, while other items of social expenditures (notably pensions and health) also played a role in maintaining aggregate demand within the economy. But from 2011, social expenditure declined, the fiscal stimulus was phased out and employment and social challenges have grown further during the second dip of the recession (European Commission, 2014o). Thus, for example, in a number of countries the number of long-term unemployed losing their entitlements has increased, the level or duration of benefits has been reduced, eligibility rules have been tightened to increase incentives to take up work and this has also led to excluding beneficiaries from some schemes (European Commission, 2014d).

The social welfare systems in several of the countries considered in this report were not robust when the crisis happened. For example, significant shares of unemployed people in several of the countries with which this report are concerned are not covered by standard safety nets, such as unemployment benefits or social assistance (Social Protection Committee, 2014) (notably, Italy and Greece; and there is also a lack of data of coverage of schemes in many countries, including Portugal). In some cases there are poorly developed public services (for example, family services in Italy, the lack of a universal health system in Cyprus, the lack of health insurance for long-term unemployed people in Greece, and there are a range of issues in Romania). While there have been some positive proposals in the past year to address some of these gaps (with the help of EU structural funds in some cases), progress is slow, such as in introducing the minimum income guarantee in Greece, or the roll out of the New Social Card in Italy, or the National Health System in Cyprus. On the other hand further expenditure cuts are planned in public spending, and VAT increases have recently taken place or are being planned in several countries (including Italy, Romania, and Spain) something that usually affects low-income households disproportionately.

As we have found in previous *Caritas Crisis Monitoring Reports*, the policy of requiring countries with the weakest social protection systems to impose fiscal consolidation and successive rounds of austerity measures within very short timetables is placing the burden of adjustments on the shoulders of those who did not create the crisis in Europe and are least able to bear the burden. A recent cross-country report again confirms that austerity policies pursued during the crisis in Europe and the structural reforms aimed at economic and budgetary stabilisation have had negative effects with regard to social justice in most countries (Schraad-Tischler and Kroll, 2014).

While social welfare cuts, decreases in public services and changes in labour market policies increase the vulnerability of those most at risk, the reports by the European Commission on structural reforms in the seven countries (and summarised in **Part One**) register how other reforms, such as tackling tax evasion and challenging vested interests amongst professionals and other sectors, are delayed and postponed.

Employment/Unemployment

Even though there have been signs of growth in Europe, a significant increase in jobs has not yet followed and the problem of those who are in long-term unemployment presents a major challenge both in human and social terms, and in terms of inclusive growth. There is a risk that they will be left behind in any recovery and, in some places, there are public works' schemes operating now (e.g. Greece) to attempt to address the problem. Unfortunately, a gradual reduction of unemployment is unlikely to be enough to reverse the increasing trend in poverty levels, especially with the way the labour market is developing (Social Protection Committee, 2014).

Meanwhile, unemployment remains historically high – affecting more than 25 million people in the EU-28 in April 2014 and representing a total increase of almost 8.4 million between 2008 and December 2013 (Eurostat, Newsrelease, 2014b). People with lower levels of education continue to be badly affected by unemployment, which increases the lower the level of education attained.

Another issue relates to the quality of jobs available. For example, since the onset of the crisis, many people's jobs are less secure, with temporary employment growing while permanent employment declines. Furthermore, temporary employment tends to be less of a stepping stone to a permanent job (European Commission, 2014a).

Young people (15-24) are very much affected by unemployment and at 22.5% (April, 2014), the rate is close to historically high levels (European Commission, 2014m). Notwithstanding some improvements, in April 2014, 5.259 million young persons (under 25) were still unemployed in the EU-28 (Eurostat Newsrelease, 2014b). Atypical, often precari¬ous, working conditions are very prevalent amongst younger workers (European Commission 2014o). The rising NEET (young people neither in employment nor education or training) rate, which shows detachment both from the world of work and education, is a particularly worrying trend.

Long-term unemployment is of major concern due to its effects in human and social terms as well as its financial costs and potential impacts on social cohesion. The rates increased across Europe between 2012 and 2013, both for those unemployed for more than a year and those unemployed for more than two years (Eurostat, 2014c).

Some findings relative to the seven countries under review in this report are summarised here:

- **Employment in 2013:** Cyprus experienced a particularly sharp drop in employment between 2012 and 2013 (3.1%) and the drop in Greece is also significant (2.1%); Ireland showed an improvement between 2012 and 2013 (+1.8%) and there was a marginal improvement in Romania (Eurostat, Online Database, Code: t2020_10). In Cyprus the loss of employment would have been greater were it not for outward migration (European Commission, 2014g).

- **Unemployment in 2013:** The highest unemployment rates in the EU-28 were found in Greece (27.3%) and Spain (26.1%); the rate in Portugal (16.4%) was fourth, Cyprus (15.9%) fifth, Ireland (13.1%) seventh, and Italy (12.2%) ninth (Eurostat online database, code: une_rt-a). Only Romania had an unemployment rate lower than the EU-28 average (at 7.3%), but Romania also has a relatively low rate of employment.

- **Youth Unemployment in 2013 (under 25s)**: The highest rates in the EU-28 were found in Greece (58.3%) and Spain at (55.5%); the rate in Italy (40%) was fourth, Cyprus (38.9%) fifth, and Portugal (38.1%) sixth. Ireland's rate (26.8%) was eleventh and Romania's (23.6%) fifteenth. By far the greatest increase since 2012 was seen in Cyprus (+11.1 pps). There were also significant increases in Italy, Greece and Spain. In Ireland there was an improvement on the 2012 position (Eurostat Online Database, Code: tsdec460).

- **Young people neither in employment nor in education or training (NEETs) in 2013**: The highest rate in the EU-28 was found in Italy (22.2%); the rate in Greece (20.6%) was third, Cyprus (18.7%) fourth, Spain (18.6%) sixth, Romania (17.2%) seventh, Ireland (16.1%) eighth, and Portugal (14.2%) tenth. Between 2012 and 2013, the rate in Cyprus rose significantly (2.7 pps) and there were also clear increases in Italy and Romania (Eurostat, online database edat_lfse_20).

- **Long-term Unemployment in 2013**: The rate increased in Greece, Spain, Italy, and Cyprus between Quarter 4, 2012 and Quarter 4, 2013. In Ireland and Portugal, following increases in the first Quarter of 2013, it has started to decrease, and in Romania the rate is relatively stable (Eurostat online database, code: une_lte_q).

- **Share of Long-term Unemployment (as a percentage of total unemployment) in 2013**: Following Slovakia (72%), Greece (70.9%) had the largest share of long-term unemployment amongst those unemployed, followed by Croatia (62.7%) and Ireland (62%). Italy's share (58.6%) was the 6th highest and Portugal's (57.8%), the 7th highest. Spain (52.2%) ranked in 10th place. At 47.9%, Romania's share is just below the EU-28 average of 49.4% (Eurostat, online database: lfsq_upgal).

Poverty/Adequate Incomes

It is recognised that during the current crisis, social spending has been reduced more than in past recessions, due to a great extent to austerity policies adopted in pursuit of fiscal consolidation and structural reform. By 2013 the stabilising impact of social benefits was well below the effects observed at the onset of the crisis (2007-2009) when social benefits had been the main factor in the stabilisation of household incomes in Europe (European Commission, 2014b). (By 'stabilising' is meant the ability of social benefits to partly compensate for the decline in households' market income).

Unfortunately, the policies which we outlined in Part One of this report (featuring very significant cuts in welfare and in public services, now repeated over many years and largely without assessment of their long-term impacts), are in many cases turning temporary problems into long-term disadvantage for large numbers of people – though the impacts have not been shouldered equally. Prolonged economic downturn has resulted in the financial distress of households intensifying in the early part of 2014 (to March) with households in the lowest income quartile experiencing the greatest difficulty in covering their current expenditure (European Commission, 2014a). Significant shares of unemployed people are not covered by standard safety nets, such as unemployment benefits or social assistance (Social Protection Committee, 2014). The share of individuals not receiving income support is especially large in Greece, Cyprus, Italy, and Portugal, where more than 40% of those living in (quasi-) jobless and poor households receive only up to 10% of their income from social transfers, and in Spain and Romania, where the percentage is between 30% and 40% (Social Protection Committee, 2014). Lack of coverage of these people would suggest a lack of effectiveness of the benefit system in reaching the most vulnerable.

Children and families have been disproportionately affected by the crisis and by austerity measures and too often the impact of such measures has not been taken into account, with services often cut precisely when they are needed, something particularly evident in programme countries (Frazer & Marlier, 2014). A report from UNICEF concludes that the progress made for children in education, health and social protection over the last 50 years is now at stake (UNICEF 2014). This report from UNICEF concludes that the poorest and most vulnerable children – such as those in jobless, migrant, lone-parent and large households – have suffered disproportionately and are over-represented in the most severe ranges of poverty statistics.

The at-risk-of-poverty or social exclusion rate (the combined indicator of poverty used in the Europe 2020 Strategy) increased from 2008 to 2013 in most Member States of the EU-28 and amounts to 122.5 million people or 24.5% of the population of the EU-28 (that is, almost 1 in 4 people) (Eurostat Newsrelease 2014e). The average risk-of-poverty rate (which is a relative income measure) in the EU-28 was 16.7% in 2013 (a slight decrease on the 2012 rate) corresponding to 83.46 million people - meaning that their disposable income was below the national at-risk-of-poverty threshold after social transfers (Eurostat code: t2020_52). The at-risk-of-poverty rate amongst children (under 18s) rose in 14 Member States between 2012 and 2013 (in the countries that have supplied statistics to date) (Eurostat online database, code: tessi120).

Some findings relative to the seven countries under review in this report are summarised here:

- **Risk of Poverty or Social Exclusion**: Between 2012 and 2013, the countries with the largest rates of increase in their at-risk-of-poverty or social exclusion rates were Portugal (2.1 pps) and Greece (1.1 pp) (Eurostat, code: t2020_50). There was also a slight increase in the rate in Cyprus, while in Spain and Italy there was a slight decrease. In Romania there was a significant decrease. For Ireland, the rate for 2012 is the latest available, which had increased from the previous year.

- **The at-risk-of-poverty rate** (which is a relative income measure) was higher than the EU average in five of the countries with which this report is concerned in 2013, Cyprus and Ireland being the exceptions (using the 2012 rate for Ireland), where the rates were a little below the average in both cases. However, in Cyprus, the rate had risen between 2012 and 2013 as it did in Portugal. At 23.1%, Greece had the highest overall rate in the EU followed by Romania (22.4%). Spain had the fifth highest rate (20.4%), Italy the eighth highest (19.1%) and Portugal the ninth highest (18.7%).

- **The severe material deprivation rate** (which is the indicator of a lack of resources) was higher than the EU-28 average in six of the seven countries under review in this report in 2013 (taking the Irish rate for 2012), Spain being the only exception. Romania had one of the highest rates of severe material deprivation in the EU (exceeded only by Bulgaria), although the rate was lower in 2013 than in 2012. The rate was also relatively very high in Greece – and this rate has almost doubled since 2008 (Eurostat Newsrelease 2014e).

- **Very Low Work Intensity:** When it comes to people living in households with very low work intensity (sometimes called jobless households), Ireland has the worst rate (23.4% in 2012, the latest year available, and a year when there had been an improvement on the previous year), followed next by Greece (18.2%, 2013) where there was a significant disimprovement in the situation between 2012 and 2013, and next by Spain (15.7%, 2013) where again a disimprovement is seen between 2012 and 2013. Portugal's rate (12.2% in 2013) also disimproved between 2012 and 2013 as did the rate in Italy (11% in 2013) and Cyprus (7.9% in 2013).

- **Child poverty** - In 2013 Romania had the highest rate (32.1%) and Greece the second highest (28.8%). Spain's rate was fourth highest (27.5%). Italy (24.8%) and Portugal (24.4%) had the sixth and seventh highest rates, respectively. The rate of increase was marked in Portugal (2.6 pps), Cyprus (1.6 pps) and Greece (1.9 pps) between 2012 and 2013, but the rates improved in Spain, Italy and Romania (Eurostat online database, code: tessi120). The latest year for which this statistic is available in Ireland is 2012, when it was 18% and had worsened over the previous year. According to UNICEF (2014) out of 41 EU and OECD countries, those with the greatest *increase* in child poverty rates from 2008 to 2012 (anchored in 2008) include Greece (40th place), Ireland (37thplace), Spain (35thplace) and Italy (33rdplace). There have also been increases in Cyprus (28th place) and Portugal (22nd place).

- **Working Poor:** At 18% in 2013, Romania had the highest rate of in-work poverty in the EU-28 (Eurostat code: tesov110). Comparatively speaking, the rate is also very high in Greece (13.1%). In Spain and Portugal the rate is 10.5% and in Italy, 10.6%. The rate in Cyprus and Portugal increased between 2012 and 2013.

- **Older People:** Apart from Spain and Ireland, the rates of poverty for older people for all the countries under review in this report are higher than the average EU-28 rate, and Cyprus is one of the countries where the rate is markedly high (fifth highest in the EU-28, for 2013) (Eurostat code: tsdde320). In Ireland, the year 2012 is the latest for which this rate is available – and there had been a deterioration over the previous year. Several Caritas member/affiliate organisations are pointing out that certain groups of older people (like those with chronic illnesses) are left particularly vulnerable due to cutbacks in health and welfare provisions.

Access to High Quality Services

Although it is difficult to assess the impacts of expenditure cuts to public services in a report of this type, cuts to important public services are known to disproportionately affect poorer people who are not in a position to compensate for them (Frazer & Marlier, 2012). And there have been significant cuts to health, education, family, housing and other services since the crisis began. This is something that Caritas member organisations observe in the seven countries covered by this report. Improved access to public services must be part of the solution to the crisis in Europe, if the inclusive growth that is at the heart of the Europe 2020 Strategy is ever to be realised, or indeed if we want a just society where disadvantage is not passed on to children through the generations. As the Social Protection Committee has noted, Europe's social and economic future greatly depends on its capacity to break the transmission of disadvantage across generations (2014).

The impacts of cuts to services on health, well-being, education and cohesion, and indeed on economic growth, are likely to only become evident in the medium to long-term. But some findings related to the seven countries under review in this report are summarised here:

- **Health Services – Unmet Needs:** A high proportion of people in Greece (31%), Cyprus (28%), Italy (23%), Ireland and Romania (both 16%) said that cost was a factor in making it 'very difficult' to see a doctor (reference year, 2011) (Eurofound, 2013, Table A1). Waiting times also made it difficult for a high proportion of people, especially in Greece, Italy, Cyprus, Portugal and Romania. People with low incomes are more likely to report unmet care needs than people with high incomes, with Greece and Italy amongst the countries where the gap was particularly large (OECD, 2014).
- **Health Impacts on the Poorest People:** While the health of some groups is unaffected by the crisis, the proportion of people in the lowest income quartile (lowest 25%) who report bad health has increased (Karanikolos *et al*, 2013; Eurofound, 2013).
- **Family Supports:** In Greece, Spain, Italy and Romania, countries that already have high or very high child poverty and social exclusion rates, cutbacks to benefits since the crisis have worsened the situation of children (Frazer & Marlier, 2014). In Ireland, cutbacks have especially hit families with children and especially those with large families (without compensating sufficiently with other services). In Portugal, spending on support for families with children has been cut by 30% since the advent of major cutbacks and one-third of beneficiaries have lost access to child benefits, strongly affecting the future potential of children (Frazer & Marlier, 2014). In some countries cutbacks in social benefits are worsened by cutbacks in services such as education and social services, which disproportionately affect poorer households with children.
- **Education:** Since 2008, a significant number of countries have cut public spending on education and the pressure is mostly felt in primary and secondary education because public funding is so significant at these levels (OECD, 2013). This has the effect of impacting more on children of families that do not progress to tertiary education.
- **Housing:** Since the onset of the crisis, the demand for social housing and the share of children living in households over-burdened due to housing costs have increased and there is a growing trend toward homelessness (Social Protection Committee, 2014).

Conclusions

Six years on from the beginning of the crisis in 2008, there is very little growth and enormous debt levels; there are huge numbers of people unemployed and millions of people are living in poverty. Simultaneously, social protection systems are under strain, gaps in protection systems leave many people in very abject situations, while cuts to public services disproportionately affect lower-income groups and the life-chances of many children are adversely affected by the combined effects of more precarious working situations (of their parents), cutbacks in benefits and reductions in key services. Increasingly children's rights are being put at risk as a result of the lack of access to adequate income, protection, services and support (Frazer & Marlier, 2012).This is not the inclusive growth approach agreed in the Europe 2020 Strategy. The people paying the highest price currently are those who had no part in the decisions that led to the crisis, and the countries worst affected are amongst those with the biggest gaps in their social protection systems, so their welfare systems are least able to protect their vulnerable populations.

We have included in **Part Three**, a discussion of some possible future policy frameworks as a contribution to debates about the issue of alternative approaches. The current process is economically unsound as well as being unfair and unjust and leads us to the following conclusions:

1) The evidence collected in this report, and in previous reports in this series, leads us to again conclude that the policy of prioritising austerity is not working for Europe and to urge again that alternatives be adopted. This runs counter to the mainstream narrative that the policies co-ordinated from Europe and enshrined in Europe's new governance structures are working and that more austerity is what is required - but when the situation is examined from the perspective of the vulnerable people of Europe it is impossible to agree. Austerity continues to be prioritised, even though it is disputed as an economic approach, and in spite of the evidence that it has exacerbated both economic and social problems caused by the economic crisis. That is not to say that structural reforms are never necessary. Rather, that European leaders must recognise that, on its own, the current approach – focusing narrowly on austerity measures and structural reforms to reduce government borrowing and the debt/GDP ratio within a short time-span - is failing in both economic and social terms and that a new strategy is urgently needed.

2) In the EU, economic priorities have taken precedence over social priorities and the EU Institutions fail to use the potential they have to prioritise policies aimed at poverty reduction and social inclusion. The new system of governance at EU level can be characterised as the complete separation between the democratic process and economic policies (Fazi, 2014). Dissatisfaction with the current approach, in which there is a lack of balance between economic and social issues, has been demonstrated by people across Europe in the voting patterns for the European Parliament elections of 2014. A new approach must be multifaceted to put Europe on a new course and to deliver on what Social Europe has promised its people.

3) There are serious gaps in the social welfare systems of many European countries, including in countries reviewed in this report. It is recognised that welfare systems fulfil at least three functions: social investment (through education, for example), social protection (providing safeguards across the life-cycle) and stabilisation of the economy (by cushioning shocks when unemployment increases). It is also recognised that social protection systems helped sustain a degree of social cohesion during the crisis but that their stabilisation capacity has been lessened in recent years by consolidation measures (especially from 2010 on). This results in non-standard workers, young people, and new entrants, in particular, suffering a double disadvantage, being more vulnerable to unemployment and often also entitled to less social protection. In 2011, the European Parliament passed a resolution requesting that the Commission launch a consultation to explore initiating legislation to provide a system of guaranteed minimum income[22] and this has been supported by an opinion from the European Economic and Social Committee (in 2013)[23]. With the shortcomings of social protection systems highlighted since 2008 in peripheral countries, the European leaders should not continue to ignore this problem.

4) A fair solution to the debt crisis must still be found. Turning banking debt into sovereign debt must be recognised as having been unfair and unsustainable for all affected countries and a fairer burden-sharing approach needs to be adopted. In this process ordinary depositors must be protected; it is not acceptable that they pay for the debts run up by banks acting irresponsibly or gambling recklessly. Furthermore, the issue of moral hazard must be addressed within the banking systems of Europe and beyond. In other words, the financial system must not be insulated from risk, with the consequent incentive to reckless behaviour. If this is not addressed, Europe risks repeating the mistakes made before. The issue of inadequate credit for small business remains a problem - one that needs to be addressed as part of the solution to the jobs crisis, so that credit is available to businesses.

[22] EP resolution on the European Platform against Poverty and Social Exclusion (2011/2052(INI)).
[23] CESE opinion: European minimum income and poverty indicators. 10 Dec. 2013, References: CESE 1960/2013 - SOC/482Own-initiative.

5) There has never been more fiscal oversight of the actions of Member States, but social monitoring lags behind – although there is potential within the European Semester process to improve this. Leadership is needed at European level that takes responsibility for the welfare of Europe's poorer and vulnerable citizens. This means working to ensure that:

- there is a strong commitment to the aims agreed in the Europe 2020 Strategy, and that adequate targets are set and met on social issues like poverty,
- that policy decisions are made based on sound information and with regard to longer term impacts, and
- the views of citizens and of civil society organisations are heard and seen to be acted upon.

This also means recognising the incoherence of policies determined as part of excessive deficit procedures and financial assistance programmes aimed at achieving debt/deficit reductions, simultaneously worsening the social problems that the targets set in the Europe 2020 Strategy seek to address. In short, it involves accepting the current failure to integrate economic and social policies at EU and national levels, and forging a longer-term commitment to an inclusive society, which in turn is necessary to building a truly sustainable economy.

Recommendations

We conclude this report with recommendations aimed at European Institutions and the European Commission, National and Local Governments, and NGOs (non-governmental organisations).

European Institutions and the EU Commission

1. Provide Leadership in Relation to Groups at Particular Risk of Poverty through the Europe 2020 Strategy: While proposals to deepen the social dimension of the EMU - including the development of a new scoreboard to allow for better identification of major employment and social problems (European Commission, 2013b) - are welcome, EU Leaders must go further. Leadership is required if the EU is to move towards real integration of its social and economic dimensions. The targets set out in the Europe 2020 Strategy must be respected in the European Semester process. It is not sufficient to say that Member States should 'protect the vulnerable'. Furthermore, no action should be taken under the 'economic' heading in the European Semester process that results in the 'social' targets becoming more difficult to achieve. This requires that the social impacts of decisions are factored into all decision-making processes to ensure that vulnerable people are genuinely protected.

The European Commission and Institutions should, for example:

1. ensure that the sum of the targets set by Member States is capable of reaching the poverty-reduction target of 20 million people set in the Europe 2020 Strategy;
2. set sub-targets for poverty reduction amongst groups most at high risk of poverty or social exclusion (such as children) in the next review of the Europe 2020 Strategy;
3. work with Member States to establish national sub-targets for poverty reduction amongst groups most at risk of poverty or social exclusion in each State (which might include children, migrants, working poor, disabled people and older people).

2. Bring More Coherence to European Policy and the European Semester by ensuring that the priorities of Annual Growth Surveys include the long-term social objectives of the Europe 2020 Strategy. Securing coherence in EU policy development requires a clear focus on the development of adequate, effective social systems that include both social investment and social protection dimensions. EU policy statements on social policy, such as the Social Investment Package, must be integrated into the European Semester process. Initiatives are also required to ensure proper implementation at national level. In this context it is important that all the tools and mechanisms available to the Commission (such as structural funds and Country-Specific Recommendations) are used to produce the desired coherence.

A mechanism is also needed to ensure that policy initiatives can be revised and adjusted immediately when they are not achieving their desired outcomes (e.g. when their expected impact on tackling unemployment is not sufficient or when they are identified as causing higher poverty and unemployment). If this is to be done then the Commission must ensure that up-to-date statistics on all indicators produced by Eurostat and by the national statistical agencies are available in a timely manner.

3. Ensure better integration of social monitoring within the processes of the European Semester: The social impact of recommendations should be considered when drafting Country-Specific Recommendations, especially those requiring fiscal consolidation measures. Country-Specific Recommendations should aim to:

1. achieve poverty-reduction for countries experiencing poverty rates above the EU average or experiencing increases in poverty rates,
2. improve and develop labour market activation measures that are capable of leading to decent jobs rather than low-paid, or insecure jobs, and
3. avoid weakening the universal availability of basic services, as this reduces rights and results in an increase of poverty and inequality.

There also needs to be a better system agreed with governments to monitor and report on how their policy choices are moving their countries towards targets set for poverty reduction, employment (that is, secure, decent jobs) and education.

4. Introduce social impact assessment and monitoring for countries in receipt of assistance packages: Social impact assessment and monitoring must become integral to the assessment process for programme countries so that if reform is needed, it is tailored to individual circumstances, capable of taking account of different impacts on different groups, and of cumulative effects on certain groups. Country-specific recommendations should specify the actions needed to achieve all the Europe 2020 targets, including those related to employment, education and poverty reduction; they should not be limited to a direction to a country to implement the terms of the Memorandum of Understanding entered into with the EC/ECB/IMF.

5. Ensure greater transparency in relation to the activities of the Troika (EC/ECB/IMF): The Troika must be seen to operate in compliance with European and national law (including constitutional law), if further trust in the democratic process is not to be undermined. The European Commission should take the lead by introducing processes that would ensure this. These processes should include (i) Troika proposals being prepared as official proposals that are available for discussion in national parliaments, and (ii) meetings with public officials being minuted and made available publicly.

6. Facilitate introduction of a guarantee of an adequate minimum income in the EU under a framework directive, with a view to effectively combating poverty and facilitating inclusion in the labour market.

7. Better Resource Structural Funds: and give them greater priority so as to ensure significant progress is made in bridging the gap between the economic and social dimensions of policy in the EU. The rhetoric in favour of social inclusion must be supported by investment of sufficient scale to make a significant impact on reducing the gaps between those who are powerful and better off and those who are poor and excluded.

8. Lead on policy-development and monitoring of Child Poverty: The Commission's Recommendation on Investing in Children - published as part of the Social Investment Strategy - is welcome. However, its implementation must be monitored through a strengthened process established under the Europe 2020 Strategy (see recommendations 1, 2, and 3, above). The Commission should also work with Member States that have high levels of child poverty to help them access structural funds to address this issue and to build capacity for their effective use.

9. Make additional funds available for Youth Unemployment and address the challenges related to labour mobility: The 'Youth Guarantee' is a welcome initiative and the Commission should work with Member States to support its implementation and to ensure that implementation focuses on the development of decent jobs[24] and is not just used to deliver a technical increase in the employment rate.

The effectiveness of funds spent on labour force integration of young people should be monitored especially in terms of the long-term impacts of support received. In particular, the quality and sustainability of the jobs created should be monitored over time. However, the amount of money envisaged for this programme (€6 billion) is unlikely to be sufficient to make a significant impact on the problem. It should be recognised and acknowledged that insufficient funding is a false economy given the substantial long-term costs unemployment places on young people, their families and communities[25]. Sufficient funds should be made available to assist countries where youth unemployment is highest, to

[24] This involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families … better prospects for personal development and social integration, freedom for people to express their concerns …' (International Labour Organization, 2007, p.4).

[25] The International Labour Organization has estimated that the cost would be €21 billion to implement a youth guarantee programme across the Eurozone (2012). The European Foundation for the Improvement of Living and Working Conditions estimated the economic loss to society of the disengagement of young people from the labour market at €153 billion in 2011, described as a conservative estimate that corresponds to 1.2% of European GDP (2012).

ensure the social inclusion of their young people. These Member States may also need support to ensure development of quality programmes.

Europe needs to address the challenges related to labour force mobility due to the growing proportion of temporary jobs that are among the new jobs being created across Europe. This is particularly pertinent for young people and progress must be made in terms of facilitating access to social protection arrangements (for example, unemployment benefits as well as to other income support measures for those who work but are at risk of in-work poverty). This would be in line with the Active Inclusion Recommendation; income support or access to services should not only be available to those who are unemployed, but also to those whose income from employment does not prevent them from experiencing poverty, including when abroad. To this end, co-ordination and co-operation between employment and social services across Europe should be enhanced.

10. Provide leadership to foster developments in the Social Economy: Leadership and support from the EU for social initiatives would benefit both people in need of support (through health and social care programmes) and societies generally. This would be consistent with the Social Investment package published in 2013. Social economy initiatives could also provide valuable employment opportunities for people who are long-term unemployed. This is especially relevant as many countries are finding it difficult to meet the various targets set under the Europe 2020 Strategy.

11. Meet deficit reduction targets and support growth: Support Member States in their efforts to promote sustainable growth and sustainable jobs while meeting deficit reduction targets in the medium rather than the short term; among other things such an approach would require well-designed investment and income policies and effective employment programmes including youth guarantees.

12. Promote the protection of Human Rights: The impacts of the crisis and of the measures adopted to address it are putting the human rights of some residents at risk. Europe must develop and adopt an internal human rights' strategy with a concrete action plan to ensure that policies being pursued at a European level do not impact on the human rights of the residents of Europe.

13. Foster stakeholder involvement and ensure inclusive governance structures: It has been pointed out that the harsh austerity measures imposed on vulnerable Eurozone countries illustrate how disconnected economic technocrats and policy-makers are from the suffering of ordinary Europeans (Karger, 2014). People experiencing poverty and civil society organisations must be involved in deliberative processes leading to the formulation, implementation and monitoring of policies, using the monitoring systems in place under the Europe 2020 Strategy as well as for countries in receipt of financial assistance programmes (See recommendations (1), (2), and (3) above). This is of particular importance given threats to social cohesion and the evident level of distrust of national and European institutions. It would be consistent with the Charter on Shared Social Responsibilities, which envisages well-defined deliberative processes to ensure that individual preferences are reconciled with widespread priorities in the field of social, environmental and intergenerational justice, and to reduce imbalances of power between stakeholders.

National Governments and relevant Local/Regional Authorities

The recommendations in this section are addressed to National Governments and also to local authorities and municipalities, wherever they have the power to act in relation to the areas covered.

1. Prioritise investment: Without investment there will be no jobs and without jobs there will be no lasting recovery. Large-scale, investment programmes that are multi-annual and targeted at job intensive areas represent a way to assist growth and at the same time to address social and infrastructural deficits. The focus would need to be tailored to the situation pertaining in each individual country and region. Areas that might be considered include development of renewable energy sources, housing, health and social care infrastructure, education and early childhood care infrastructure. Inappropriate rules that currently block needed, viable investment should be adjusted.

2. Poverty-proof all new measures: Reducing poverty requires a number of different, integrated responses including income support, access to education and other vital services. Of particular importance is the need to recognise and monitor the effect that cumulative 'hits' can have on particular groups over a number of years. This is the situation where a range of decisions are made that impact on the same group and have a disproportionate negative effect. All Government decisions should be subject to a poverty-proofing process that ensures actions taken subsequently will not increase poverty in society under any heading.

3. Strengthen welfare systems: Given the depth and duration of the economic crisis and the impacts of structural measures, the resilience of social protection systems must be improved to enable them to provide protection to the entire population in need. The European Social Protection Committee has recently argued that now is the time to build adequate, effective social protection systems that combine a strong social investment dimension with better protection (2013a). Governments now need to introduce social protection schemes for the future, which overcome the present inequalities within the systems.

4. Invest in good quality essential services and introduce social assessments of consolidation measures: The provision of good quality services (like affordable childcare, education, health, disability and other social services) reduces inequalities and is crucial to the employability prospects and social mobility of different income groups. They are an essential part of a country's social infrastructure. Ensuring equal access to services and care strengthens social cohesion. However, recent measures are worsening existing inequalities in access to services; where healthcare is concerned, this is adversely affecting people's health. Many of the decisions being made currently to achieve short-term budgetary savings are choices that will cost more and challenge social cohesion in the long-term. Social assessments of the impacts of cuts to services that look beyond the short-term cost saving should be integrated into decision-making processes.

5. Use appropriate Labour Market measures: EU recommendations commit to *three* pillars of active inclusion, involving inclusive labour markets, adequate income support and access to high-quality services. However, in reality, the focus of European countries is on activation measures at the expense of the other two pillars (Frazer & Marlier, 2012a). The countries under review in this report are pursuing measures involving support to job-seekers and activation, though their efficacy is often questionable. Given the scale of the fall in employment in all countries, and the bleak outlook for job creation, it is important that these measures focus on supporting unemployed people, aiming, for example, to maintain and develop appropriate skills. Most importantly, such measures must not be accompanied by the threatened loss of welfare benefits or assistance. This approach would be inappropriate given that there are insufficient jobs to meet the demand; following such an approach would merely increase poverty and worsen desperation. Changes in employment protection measures aimed at creating greater flexibility and competitiveness in the labour market must not be implemented in such a way that will damage or do away with all income security and/or increase in-work poverty.

6. Frame taxation measures such that those who can afford to do so pay more: National Governments (and regional authorities/municipalities as appropriate to their roles) must adopt approaches to raising revenue and providing services that do not disproportionately negatively affect low income groups. Shifting the tax burden from labour to consumption (by increasing VAT and/or excise on essential items) has caused proportionately larger losses in low-income households in several countries. This means, amongst other things, that increases in indirect taxes on essential items should be avoided.

7. Tackle tax evasion: Tax evasion and the grey economy are a particular problem in some countries (including, but not confined to, Greece and Romania) where a disproportionate burden of current adjustments is falling on compliant tax-payers. Tax evasion must be tackled and fair taxation systems introduced in which all sectors of society, including the corporate sector, contribute a fair share and those who can afford to do so pay more. A major cultural change is required across the EU on this issue. Paying tax should not be seen as a 'burden' to be avoided or evaded at all costs; rather it should be seen as a privilege which enables a person or entity to contribute to the provision of social and economic infrastructure and services from which they themselves, others and society in general benefit.

8. Consider how Government could become an employer of last resort: The lessons of the Great Depression are as valid in social terms now as they were in the 1930s. No society can afford to regard so many of its unemployed citizens as expendable. Notwithstanding the fact that governments need to increase the number of long-term viable jobs paying good wages, given the huge fall in employment and its impact on unemployed people of every age, governments should also consider being an employer of last resort through voluntary programmes. These should be framed so as not to distort the market economy but provide socially useful work for those seeking employment. There are many areas in the social economy where this could be introduced (for example, in long-term care). This should not be misunderstood to mean that social services should be dependent on people who are long-term unemployed taking up positions on a government programme. These services should be provided as part of mainstream provision. However, this approach does have the potential for adding capacity, particularly at a time of economic difficulty.

9. Ensure a Guaranteed Minimum Income for all: Every national Government should have a mechanism to ensure all people receive an income sufficient to live life with dignity. Where such mechanisms are not in place they should be instituted immediately. In all cases the adequacy of the income level should be guaranteed and its adequacy should be monitored and evaluated regularly.

10. Foster stakeholder involvement and ensure inclusive governance: Commit to a genuine engagement with all key stakeholders to ensure that groups at risk of poverty and social exclusion can influence policy-direction and implementation, and that their experiences become part of the dialogue with European and international agencies to try and bolster social cohesion and political legitimacy.

11. Introduce better monitoring and planning: It is especially important that all new measures be subject to a social impact assessment, and their longer term consequences assessed as well as their short-term ones. Macro-economic modelling processes should be used to assess the impact of proposed changes in social policies.

12. Avail of the social investment aspects of the programming of EU Funds, 2014-2020, including the ERDF (European Regional Development Fund), the ESF (European Social Fund)[26] and the FEAD (Fund for European Aid to the Most Deprived) and others, to fund measures that will address the worsening social situation, including support for initiatives set out in the EU's Social Investment Package, such as supporting social enterprises or facilitating the full implementation of the Recommendation on Investing in Children.

Non-Governmental Organisations

1. Accompany and help people in need: Provide services in order to promote people's social and active inclusion. People experiencing poverty need help here and now. NGOs can assist a society to identify people in need and to develop solutions to address their immediate and longer-term needs. NGOs can mobilise solidarity in society, organise volunteers and innovate within the limits of current resources.

2. Give a voice to people experiencing poverty or social exclusion: Those NGOs that provide services to people experiencing poverty are in a position to give a voice to the experience of the people they serve, a voice that tends to have few outlets for expression or influence – and these accounts can have an impact within and beyond individual national borders.

3. Influence decision-making: NGOs must seek to challenge the official approach to the crisis in which those who are vulnerable are paying the highest price. This may require a commitment to develop a capacity for independent and accurate analysis and advocacy, which is sometimes considered secondary to the work of providing services. However, it is an important means of addressing the causes of the problem, not only its symptoms. This is especially valuable when the major providers of social analysis do not, in practice, include data, analysis or proposals targeting the situations of those who are vulnerable.

4. Document increases in service use: The changes in the current landscape of poverty and social exclusion mean that the current situation is especially challenging and unfolding rapidly. Official systems for tracking and monitoring poverty are subject to limitations and time-lags. NGOs who work in providing services can, by putting appropriate systems in place, track the increased demands – and the new kinds of demands - made on their services, including demands which they are not able to meet due to lack of resources. Thus they can act as an early warning system and also help to provide an earlier and more rounded view of the picture as it emerges, as well as make the case to protect existing funding streams.

5. Monitor the current situation and work for Social Change: The world documented in this report is not just. It needs to be profoundly changed in a way that eliminates poverty and exclusion as well as addressing unemployment in a sustainable manner. A model of development that is sustainable in economic, social and environmental terms is required. NGOs have great experience and knowledge of the impacts the current approach is having on so many people who are vulnerable in one form or another. They must use that experience and knowledge to monitor and assess what is happening and work towards the articulation and development of a sustainable future that protects human dignity, promotes wellbeing, is built on the common good and protects the environment. This could include taking up some of the ideas for the future that are discussed in Part Three of this report.

[26] It is, for example, proposed that at least 20% of total ESF resources in each Member State should be allocated to the thematic objective: 'promoting social inclusion and combating poverty' (European Commission, 2013f).


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Glossary

ESA - The European System of Integrated Accounts – the system of national accounts and regional accounts used in the EU.

Europe 2020 Strategy - Adopted in 2010, the Europe 2020 Strategy aims to turn the EU into a 'smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion'. It sets targets to reduce poverty, raise employment, and raise educational levels, amongst other things.

European Semester - A yearly cycle of economic policy coordination which involves the European Commission undertaking a detailed analysis of EU Member States' programmes of economic and structural reforms and provides them with recommendations for the following 12-18 months. The European semester starts when the Commission adopts its Annual Growth Survey, usually towards the end of the year, which sets out EU priorities for the coming year. For more, see: http://ec.europa.eu/europe2020/making-it-happen/index_en.htm

Eurostat – the statistical office of the European Union.

Excessive Deficit Procedure – This is the corrective arm of the Stability and Growth Pact requiring that Member States adopt policy responses to correct excessive deficits relating to thresholds of 3% of deficit to GDP and 60% of debt to GDP. These limits are enshrined in Article 126 of the Treaty and in Protocol 12 accompanying the Treaty. Countries placed under a Excessive Deficit Procedure are given a deadline of six months (or three months for a serious breach) to take effective action to comply. (http://ec.europa.eu/economy_finance/economic_governance/sgp/corrective_arm/index_en.htm)

As of June 2014 there has been an ongoing Excessive Deficit Procedure for 17 EU Member States. This means that it applies to all EU Member States except Bulgaria, Germany, Estonia, Italy, Hungary, Latvia, Lithuania, Luxembourg, Romania, Finland and Sweden. However, the Commission has recommended to the Council to close the procedures that have been open for Austria, Belgium, the Czech Republic, Denmark, The Netherlands and Slovakia, which will bring the overall number of countries within the EDP to 11. In the spring of 2011, no fewer than 24 Member States were in an Excessive Deficit Procedure (European Commission, 2014).

Fiscal Compact - The Fiscal Compact, which entered into force in January 2013, runs in parallel with the Stability and Growth Pact. It requires that the Member States who have signed up to it maintain:

- a structural deficit limit of 0.5% of GDP (cyclical effects and one-off measures are not taken into account); 1.0% of GDP for Member States with a debt ratio significantly below 60% of GDP or be working towards that target within time limits specified (this is sometimes called the "deficit brake").
- General government debt of not more than 60% of GDP; if it is more than 60%, they must be reducing it at the rate of one-twentieth each year (this is sometimes called the "debt brake") (http://ec.europa.eu/economy_finance/articles/governance/2012-03-14_six_pack_en.htm)

Significant penalties are envisaged for breaches of its terms. The UK and the Czech Republic did not sign up to the Fiscal Compact.

Government Deficit/Surplus - The general government deficit/surplus is defined in the Maastricht Treaty as general government net borrowing/lending according to the European System of Accounts (ESA95). It is the difference between the revenue and the expenditure of the general government sector (Eurostat, Code: tec00127).

General Government Gross Debt – Defined (in the Maastricht Treaty) as consolidated general government gross debt at nominal value, outstanding at the end of the year in categories of government liabilities as defined in the ESA95. (Eurostat, Code: Eurostat: tsdde410).

GDP - Gross domestic product, which is a measure of the economic activity, defined as the value of all goods and services produced less the value of any goods or services used in their creation (Eurostat, tec00115).

Housing Cost Overburden Rate – The percentage of the population living in a household where the total housing costs (net of housing allowances) represent more than 40% of the total disposable household income (net of housing allowances) presented by income quintile (Eurostat, tessi162).

IMF – the International Monetary Fund.

In-work at-risk-of-poverty rate (or working poor) - The share of employed persons of 18 years or over with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income (after social transfers) (Eurostat, tsdsc320).

Material Deprivation Rate - The indicator is defined as the percentage of the population with an enforced lack of at least three out of nine material deprivation items in the 'economic strain and durables' dimension (Eurostat, tessi082).

NEET rate - The indicator of young people neither in employment nor in education and training (NEET) corresponds to the percentage of the population of a given age group and gender who is not employed and not involved in further education or training (Eurostat, explanatory text, Code:yth_empl-150).

OECD - The Organisation for Economic Co-operation and Development, which has 34 member countries. **Note** relative to the countries considered in this report: OECD members include Greece, Ireland, Italy, Portugal and Spain, but not Cyprus or Romania.

People at risk of poverty - Persons with an equivalised disposable income below the risk-of-poverty threshold, which is often set at 60% of the national median equivalised disposable income (after social transfers) (Eurostat, t2020_50). The 60% threshold is adopted in the Europe 2020 Strategy. It is also possible to examine incomes at other thresholds such as 40%, 50% or 70%.

People at risk of poverty or social exclusion - The Europe 2020 Strategy promotes social inclusion by aiming to lift at least 20 million people out of the 'risk of poverty and social exclusion'. This indicator corresponds to the sum of persons who are: (1) at risk of poverty or (2) severely materially deprived or (3) living in households with very low work intensity. Persons are only counted once even if they are present in several sub-indicators (Eurostat, t2020_50).

Pps – Percentage Points

Severe Material deprivation - Severely materially deprived people have living conditions severely constrained by a lack of resources, they experience at least 4 out of 9 of the following deprivations items: namely, they cannot afford i) to pay rent or utility bills, ii) to keep their home adequately warm, iii) to face unexpected expenses, iv) to eat meat, fish or a protein equivalent every second day, v) a week's holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone (Eurostat, t2020_50).

Stability and Growth Pact – this was introduced as part of the Maastricht Treaty in 1992, and came into effect in 1998, but its enforcement was problematic. Its enforcement provisions were strengthened by the so-called 'Six-pack' in 2011. It sets limits on member countries' budget deficits and levels of gross debt at 3% and 60% of GDP respectively; it applies to all Member States with some specific rules for the EURO area. The Excessive Deficit Procedure operationalises the limits on the budget deficit and public debt given by the thresholds of 3% of deficit to GDP and 60% of debt to GDP not diminishing at a satisfactory pace.

Very Low Work Intensity - People living in households with very low work intensity are those aged 0-59 living in households where the adults (aged 18-59) worked less than 20% of their total work potential during the past year (Eurostat, t2020_50).

Some Statistical Issues

There are a number of issues to note about the poverty and social exclusion statistics used in this report:

Time lag: The main source of comparable data on poverty and social exclusion, the EU Survey on Income and Living Conditions (EU-SILC), has a significant time-lag. The data available as this report is prepared relate [INSERT UPTODATE POSITION]. Data from any given year relates to data collected during the previous year. Thus, there is virtually a two-year time lag in the data and the most recent data available does not give the latest picture.

Indicators: Another important point relating to the data presented here is that there are different approaches to the measurement of poverty and social exclusion. Under the EU 2020 Strategy, headline targets have been set for reductions in poverty or social exclusion. The indicator, 'poverty or social exclusion' is based on a combination of three individual indicators:

1. persons who are at risk of poverty - people with an equivalised disposable income below the risk-of-poverty threshold set at 60 % of the national median (or middle) equivalised disposable income (after social transfers) (Eurostat, t2020_50)[27].

2. people severely materially deprived have living conditions severely constrained by a lack of resources; they experience at least 4 out of a list of 9 deprivation items (See Glossary for the full list). (Eurostat, t2020_50)

[27] The 60% threshold is adopted in the Europe 2020 Strategy. It is also possible to examine incomes below other thresholds such as 40%, 50% or 70%.

3. people living in households with very low work intensity are those aged 0-59 living in households where the adults (aged 18-59) worked less than 20% of their total work potential during the past year (Eurostat, t2020_50).

Thus the combined 'poverty or social exclusion' indicator corresponds to the sum of persons who are at risk of poverty or severely materially deprived or living in households with very low work intensity. Persons are only counted once even if they are present in several sub-indicators. It is also possible to examine each of the indicators separately and we have done so in this report. Prior to the adoption of the Europe 2020 Strategy, the 'at-risk-of-poverty' indicator was the most widely used and recognised indicator of poverty, and so we have placed particular emphasis on examining it in relation to different groups.

Relative Poverty: The first of the three indicators used in the Europe 2020 Strategy, 'at risk of poverty' is the most prominent indicator at EU level. It is a relative income poverty threshold, which means that it is used to assess poverty levels relative to the national median income, something that relates it to local conditions and that shifts in line with changes in general income/salary levels. Thresholds may be assessed at 40%, 50% and 60% of median income, with the 60% measure being used most frequently and being the one adopted in the Europe 2020 Strategy. Thus the 'at-risk-of-poverty' measure depends on the local income poverty threshold which means that it varies across Europe.

It is also recognised that because relative poverty measures are related to current median (or middle, not average) income, it can be difficult to interpret during recessions when the incomes of all households often decline. In fact, where the incomes of all households fall in a recession, but they fall by less at the bottom than at the middle, relative poverty can actually decline. This can mask or delay the full picture of poverty emerging.

As a complementary approach, the at-risk-of-poverty rate is sometimes considered to be anchored at a particular time – this allows one to follow the evolution of poverty based on changes in real income and is more sensitive to the effects of worsening economic conditions on the living standards of the poor. We have referred to this in respect of some of the countries considered in this report.

Comparable Data: In this report data on poverty is generally taken from the European Commission's statistical body, Eurostat, rather than from the national bodies responsible for statistics. There can occasionally be slight differences of definition and differences of interpretation between national bodies and Eurostat. Using the figures from Eurostat makes it possible to compare like with like across countries.

Appendix 1

Rate for Risk of Poverty, Severe Material Deprivation, People in Households with Very Low Work Intensity, EU28, 2013

From Eurostat online Databases, codes: t2020_52; t2020_53; t2020_¬_51; Last update 30.10.2014.

People at Risk of Poverty – Percentage of the Population in 2013

Czech Republic	8.6
Netherlands	10.4
Finland	11.8
Denmark	12.3
Slovakia	12.8
France	13.7
Hungary	14.3
Austria	14.4
Slovenia	14.5
Sweden	14.8
Belgium	15.1
Cyprus	15.3
Ireland (2012 rate)	15.7
Malta	15.7
Luxembourg	15.9
United Kingdom	15.9

Germany	16.1	Croatia	19.5
EU (28 countries)	**16.7**	Spain	20.4
Poland	17.3	Lithuania	20.6
Estonia	18.6	Bulgaria	21
Portugal	18.7	Romania	22.4
Italy	19.1	Greece	23.1
Latvia	19.4		

Severely Materially Deprived People – Percentage of total population in 2013

Sweden	1.4	**EU (28 countries)**	**9.6**
Luxembourg	1.8	Ireland (2012 rate)	9.8
Netherlands	2.5	Slovakia	10.2
Finland	2.5	Portugal	10.9
Denmark	3.8	Poland	11.9
Austria	4.2	Italy	12.4
Belgium	5.1	Croatia	14.7
France	5.1	Lithuania	16
Germany	5.4	Cyprus	16.1
Spain	6.2	Greece	20.3
Czech Republic	6.6	Latvia	24
Slovenia	6.7	Hungary	26.8
Estonia	7.6	Romania	28.5
United Kingdom	8.3	Bulgaria	43
Malta	9.5		

People living in households with very low work intensity - Percentage of total population in 2013

Romania	6.4	Latvia	10
Luxembourg	6.6	**EU (28 countries)**	**10.7**
Czech Republic	6.9	Italy	11
Sweden	7.1	Lithuania	11
Poland	7.2	Portugal	12.2
Slovakia	7.6	Hungary	12.6
Austria	7.8	Denmark	12.9
France	7.9	Bulgaria	13
Cyprus	7.9	United Kingdom	13.2
Slovenia	8	Belgium	14
Estonia	8.4	Croatia	14.8
Malta	9	Spain	15.7
Finland	9	Greece	18.2
Netherlands	9.4	Ireland (2012 rate)	23.4
Germany	9.9		

Note: 2012 is the latest year for which the rates are available for Ireland for each of the three indicators.

Appendix 2

Rate for Child Poverty; and the In-Work at-Risk-of-Poverty Rate: EU28, 2013

From Eurostat online Databases, codes: tessi120; tesov110.

Child Poverty (under 18 years) in 2013

Denmark	8.5
Finland	9.3
Czech Republic	11.3
Netherlands	12.6
Germany	14.7
Slovenia	14.7
Sweden	15.4
Cyprus	15.5
Belgium	17.2
Ireland (2012 rate)	18
France	18
Estonia	18.1
Austria	18.6
United Kingdom	18.9
EU (28 countries)	**20.3**
Slovakia	20.3
Croatia	21.8
Hungary	23.2
Poland	23.2
Latvia	23.4
Luxembourg	23.9
Malta	24
Portugal	24.4
Italy	24.8
Lithuania	26.9
Spain	27.5
Bulgaria	28.4
Greece	28.8
Romania	32.1

Note: 2012 is the latest year for which the rates are available for Ireland.

In-Work at-risk-of-Poverty Rate in 2013

Finland	3.7
Czech Republic	4
Netherlands	4.2
Denmark	4.3
Belgium	4.4
Ireland (2012 rate)	5.4
Slovakia	5.7
Malta	5.9
Croatia	6.2
Hungary	6.6
Slovenia	7.1
Sweden	7.1
Bulgaria	7.2
Estonia	7.6
France	7.9
Austria	7.9
United Kingdom	8.4
Germany	8.6
EU (28 countries)	**8.9**
Cyprus	8.9
Latvia	8.9
Lithuania	9.1
Spain	10.5
Portugal	10.5
Italy	10.6
Poland	10.7
Luxembourg	11.2
Greece	13.1
Romania	18

Note: 2012 is the latest year for which the rates are available for Ireland.

Appendix 3

Monetary and Fiscal Policy – Progressive Change for Vulnerable Groups: A Note from Dr Seán Healy, *Social Justice Ireland*

The Stability and Growth Pact (SGP) is seen as the cornerstone of budgetary discipline in the EU. One of the results of the diagnosis of the financial crisis as a public finance crisis was the strengthening of this framework which governs Member States' fiscal rules; there has been an increase in surveillance and the disciplining role of the European Commission has been strengthened. Additionally, the Commission was tasked with identifying and preventing macro-economic imbalances, such as the persistent current account imbalances which built up during the early and mid-2000s.

Despite opposition from many in the European Parliament, and the concerns expressed by the leaders of several countries, including France and Italy, this framework will likely remain in place for some time and shape fiscal policy over the next decade in the countries studied in this report.

The legal framework is contained in the 'six-pack' of five regulations and a directive, applying to the EU28, the 'two-pack' which applies to the Euro area Member States and increases monitoring by the European Commission – including submission of national budgets no later than 15 October – and the 'Fiscal Compact', an intergovernmental treaty (Britain and the Czech Republic did not sign it) which requires the direct transposition of the SGP measures into national law.

The SGP rules state that:

- Government deficits must be 3% or less;
- Government debt to GDP ratio must be 60% or less; and
- Government structural deficits must be 0.5% or less.
- The structural deficit may be up to 1% if debt to GDP is significantly below 60%. However, the SGP requires a 1/20th reduction in debt per year if a country has a debt to GDP ratio above 60%. The requirements of the Fiscal Compact have been given effect in law in most European countries.

The 3% and 60% limits are enshrined in Art. 126 of the Treaty and in Protocol 12 accompanying the Treaty.

Five of the countries studied in this report (Spain, Greece, Portugal, Cyprus and Ireland) are currently in the Excessive Deficit Procedure (EDP) which requires the reduction of the General Government Deficit to under 3% of GDP. All will be out of the EDP by 2016 according to the DG Economic and Financial Affairs of the European Commission.

The 1/20th rule applying to the path of debt reduction will fully apply to all these countries once they exit the EDP. Until 2019 Ecofin and the European Commission will determine whether the pace of debt reduction is adequate. After that it is expected that the rule will apply to all.

One of the reasons this whole process is important to countries emerging from very difficult circumstances is that under the Six-Pack/Two-Pack arrangements public spending is governed by an 'expenditure benchmark', which limits growth in government expenditure. When a member-state has not achieved its MTO, a reference rate for growth in government expenditure is calculated based on potential growth estimates and a convergence rate of expenditure is provided which must be followed to achieve the MTO.

There is some concern that the Compact and wider EU fiscal rules contain a number of very difficult challenges for countries who have been struggling for some time. These concerns include:

- That they do not address what is essentially a balance of payments' crisis created by persistent and excessive private credit creation;
- That there is considerable debate and confusion about the measure of 'potential' output which could severely affect the view of structural output; and
- That it is undemocratic, removing decisions about resource allocation and tax and spending from parliaments.

However, it is likely that these rules will remain in place and will have to be adhered to. Given the operation of the 'Expenditure benchmark', any increase in expenditure above the benchmark by any country would require discretionary revenue increases.

Consequently, countries that do not experience high economic growth rates may well be unable to invest the necessary resources to improve their economic and social infrastructure and services for a very long time. In practice this means that they are likely to see persistent high unemployment, high levels of poverty and ongoing social exclusion.

Serious care is required to ensure that the investment required to produce a well-functioning economy, develop inclusive labour markets, secure adequate income support, and ensure that access to high-quality services for all is not impeded by the requirements of the SGP, which were developed for a different purpose. The EU has had a major focus on its economic concerns in recent years but paid far too little attention to the social impacts of the decisions it made and the initiatives it took. Now there is an urgent need to rebalance the economic and social dimensions of the EU when decisions are being made. This issue should be on the agenda of the European Commission and the European Council now, so that it is addressed effectively before further unintended damage is done to the credibility of the European project which would result from a failure to rectify this imbalance.

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The findings in the report are the result of research and analysis by experts in seven EU Member States most-affected by the crisis; Cyprus, Greece, Ireland, Italy, Portugal, Romania and Spain.

The report's findings are grounded not only in empirical research but more importantly in the practical, unique, grass-root work carried out by Caritas member organisations in the seven countries.

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