



## **Europe 2020 Shadow Report (2013)**

**[Missing the train for inclusive growth]**

**[Time is running out]**

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## **List of acronyms and abbreviations**

AGS:	Annual Growth Survey
AROE:	At risk of poverty or social exclusion
CSO:	Civil Society Organizations
CSR:	Country Specific Recommendations
EC:	European Commission
ECB:	European Central Bank
EFSM:	European Financial Stabilisation Mechanism
ESFS:	European Financial Stability Facility
ERDF:	European Regional Development Fund
ESL:	Early School Leaving
ESM:	European Stability Mechanism
EU:	European Union
ESF:	European Social Fund
GDP:	Gross Domestic Product
GHDI:	Gross Household Disposable Income
IMF:	International Monetary Fund
MOs:	Member organisations of Caritas Europa
MS:	Member State of the EU
NEET:	Young people not in employment, education or training
NGO:	Non-Governmental Organisation
NRIS:	National Roma Integration Strategies
NRP:	National Reform Programme
NSR:	National Social Report
OMC:	Open Method of Coordination
PROGRESS:	European Union Programme for Employment and Social Solidarity
P.P.:	Percentage Points
R&D:	Research and Development
SF:	Structural Funds
SPC:	Social Protection Committee
UN:	United Nations
VAT:	Value Added Tax
YEI:	Youth Employment Initiative

Country codes used in the text:

Belgium	(BE)	Greece	(EL)	Lithuania	(LT)	Portugal	(PT)
Bulgaria	(BG)	Spain	(ES)	Luxembourg	(LU)	Romania	(RO)
Czech Republic	(CZ)	France	(FR)	Hungary	(HU)	Slovenia	(SI)
Denmark	(DK)	Croatia	(HR)	Malta	(MT)	Slovakia	(SK)
Germany	(DE)	Italy	(IT)	Netherlands	(NL)	Finland	(FI)
Estonia	(EE)	Cyprus	(CY)	Austria	(AT)	Sweden	(SE)
Ireland	(IE)	Latvia	(LV)	Poland	(PL)	United Kingdom	(UK)

## Preface

From the very beginning of *Europe 2020 Strategy* implementation Caritas Europa is actively involved in its monitoring. The main objective of our engagement is to ensure that the Social Objectives of the Strategy, like employment growth and poverty reduction are adequately addressed in the EU and national policies promoted through the Europe 2020 process.

Caritas is in the front line of helping those who suffer most. People asking for help in Caritas organisations across Europe belong to different groups and the causes of their weak material situation and social exclusion are different. Nevertheless, what is common in the last years is that situation of vulnerable groups is getting worse while in the meantime poverty starts affecting those who never in the past have been supported by charity organisations. In result, the number of those looking for help and assistance due to unemployment, poverty or social exclusion is increasing. This call for a definite strengthening of social dimension of the EU and the Europe 2020 process should be considered as important elements towards this goal.

The *Caritas Europa Shadow Report 2013* is particularly focusing on the below challenges that should be urgently tackled in order to reverse the trend of growing poverty and social exclusion in Europe and reflected in the Annual Growth Survey 2014, namely:

- 1) Child and family poverty
- 2) In-work poverty
- 3) Poverty among young people
- 4) Impact of the budgetary cuts on income situation of people and access to services
- 5) Situation of specific vulnerable groups: migrants and Roma

The report provides the in—depth analysis of the situation of vulnerable groups listed above as well as tries to identify concrete causes of the poverty and exclusion affecting them.

The findings of this report base on the evidence collected by Caritas organisations when delivering every-day support to thousands of Europeans experiencing unemployment, poverty and exclusion in 23 out of 28 EU MS. The European and relevant national statistics and experts' reports are used to support the report's observations.

Specific chapter of the Report is dedicated to assess the use of European Social Fund in fighting poverty and exclusion as well as to see what obstacles the social NGOs are facing when attempting to implement ESF projects. The Report analyses also the situation in "Programme countries" and impact of Troika agreements on employment and social situation in these MS.

The *Europe 2020 Shadow Report* provides also concrete recommendations for policies and actions that should be applied in order to make Europe 2020 Strategy contributing to reduction of poverty and social exclusion. These recommendations concern the *European Semester* process and its crucial elements, like the *Annual Growth Survey* and *Country Specific Recommendations*. We fully believe that these elements still have the potential for making *Europe 2020* process

more socially responsive and we hope that our report and recommendations can be used for that purpose.

## **Rationale**

### **Overall context**

**Europe 2020, the strategy for jobs and smart, sustainable and inclusive growth**<sup>1</sup> is based on five EU headline targets, which are currently being measured by eight headline indicators. The social dimension of the Europe 2020 Strategy is reflected in the three following headline targets: 1) Employment: 75% of the 20-64 year-olds to be employed; 2) Education: reducing school drop-out rates below 10% and at least 40% of 30-34-year-olds completing third level education; 3) Poverty/social exclusion: at least 20 million fewer people in or at risk of poverty and social exclusion.

**Following the policy cycle** and within the framework of the European Semester process, Member States (MS) have submitted their 2013 National Reform Programmes (NRP). These programmes have been analysed by the European Commission (EC), leading up to the 2013 Country Specific Recommendations (CSR) adopted by the Council on 19th June 2013<sup>2</sup>. These recommendations are built on an in-depth analysis of the situation of each MS, on their implementation of the recommendations of the European semester 2012 and on how the guidance of the 2013 Annual Growth Survey (AGS)<sup>3</sup> has been taken up in the MS.

Three years after the approval of the Europe 2020 Strategy, data and official statistics demonstrate that some progress towards achieving the targets has only been made in the area education so far. Furthermore, the sum of national targets, as presented by the MS in their NRPs, does not contribute to the EU 2020 targets. The situation of poverty and social exclusion as well as employment situation is worsening especially in the countries under EU financial assistance programmes. This puts Europe's 2020 strategy at risk.

In February 2013, the European Commission presented the **Social Investments Package** (SIP)<sup>4</sup> proposing policies to strengthen people's skills and capacities and support them to fully participate in employment and social life. These policies should be promoted through different elements of the Europe 2020 Strategy and with the support of the EU Cohesion policy 2014-2020.<sup>5</sup>

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<sup>1</sup> European Commission, 2010, *EUROPE 2020. A strategy for smart, sustainable and inclusive growth COM(2010) 2020 final*.

<sup>2</sup> European Commission, 2013, *Country-specific Recommendations 2013, COM(2013) 350 final*.

<sup>3</sup> European Commission, 2013, *Annual Growth Survey 2013. COM(2012) 750 final*.

<sup>4</sup> European Commission, 2013, *Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020" COM(2013) 83 final*.

<sup>5</sup> European Commission, 2013, *Amended proposal for a Regulation of the EP and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund*

According to the principles of good governance, social actors and NGOs are asked to participate in the Europe 2020 process by making proposals and providing information to public institutions on the policies implemented and on their outcomes. Furthermore, the civil society organisations play an important role in meeting the objectives of EU social policies. This importance is not only due to the role they have in participating in policy-making processes and in employment and social policies implementation<sup>6</sup> but also in “supporting monitoring and evaluation of initiatives undertaken to support policy Objectives of Europe 2020 Strategy and in particular the Social Investment Package through (...) the European Semester”.<sup>7</sup>

It is for this reason that **Caritas Europa is actively engaged in this process and continues to make a decisive contribution, both at the national and European levels. This contribution is based on its expertise in tackling the needs of the most excluded groups and on its capacity to provide good evidence on selected social problems. Caritas Europa organisations have also capacity for mobilising resources and a long tradition of engaging people at local level as well as an intrinsic expression of its mission and values.**

Therefore, within the framework of the European Semester process, Caritas Europa and its member organisations (MO) from the EU MS take part in the *Shadow reporting process*. Its main elements include: a) assessing the NRPs and relevant national social and employment policies implementation, 2) providing feedback on the CSR implementation and ideas for the next CSR 3) presenting assessment of the overall social and employment situation across the EU with particular focus on the issues that should be considered as priorities for the next AGS.

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*covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006”, COM(2013) 246 final 2011/0276 (COD).*

<sup>6</sup> European Commission, 2011, Proposal for a Regulation of the European Parliament and of the Council on a European Union Programme for Social Change and Innovation; point 9 of the Preamble and Article 3.1.a, COM(2011) 609 final.

<sup>7</sup> European Commission, 2013, Call for proposals for the establishment of 4-year framework partnership agreements with EU-level NGO networks active in the promotion of social inclusion and poverty reduction, VP/2013/006, Area 1 (p. 7).



## Objectives of the Report

This report addresses the strands of poverty and social exclusion and employment of the Europe 2020 Strategy from the perspective of Caritas Europa and its Member organisations from 23 MS<sup>8</sup> by focusing on selected social problems. Information and proposals included in this report are based on official statistics, specific studies and research. They are reinforced by evidence from Caritas MOs and by personal testimonies of people experiencing poverty.

**The aim of this report is to make recommendations on the issues that should be particularly addressed in the 2014 AGS, CSRs and the NRPs in order to increase the chances of achieving Europe 2020 targets of employment growth and poverty reduction and to make the EU 2020 Strategy more socially responsive; the report's recommendations also feed into the implementation process of the SIP, presented by the European Commission in February 2013.**

The content of this report focuses on:

- The main findings, which are compared to those from the previous Caritas Europa reports <sup>9</sup>
  - How the macroeconomic context impacts upon social goals, focusing particularly on countries under EU financial assistance programmes.
  - Analysing trends in relation to poverty and social exclusion, whilst addressing relevant issues that should be incorporated into the AGS Priorities.
- In particular:
- Child and family poverty
  - Poverty amongst youth
  - The impact of budgetary cuts on the income situation and access to social services
  - The situation of specific vulnerable groups: Roma and migrants

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<sup>8</sup> Namely: Austria, Belgium, Bulgaria, Cyprus, Estonia, Croatia, Finland, France, Germany, Greece, Ireland, Italy, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Sweden, Slovenia, Spain and UK.

<sup>9</sup> See 2011 and 2012 Shadow Reports on Europe 2020 Strategy: Caritas Europa 2011, *Europe 2020 Shadow Report; Edition 2012, Missing the Train for Inclusive Growth, Assessment of the 2012 NRP proposals for a 2013 Annual Growth Survey, Country Specific Recommendations and National Policies*

- Presenting the situation of employment focusing on the main groups at risk of unemployment, increasing labour market segmentation and in-work poverty.
- Providing feedback on the use of ESF for fighting poverty
- Summarising Caritas Europa's consideration of European Semester elements and MOs' observations on civil society involvement in the Europe 2020 process.
- Proposing key recommendations for the European Commission and national governments on how to reach the Europe 2020 targets.

Together with this European Shadow Report, a **Country Summary for each of the 23 countries has been drafted**, which includes key national data on poverty, employment and, in some cases, on education. For each area, the summary describes: (i) recent trends (ii) recent policy developments and (iii) assessment if the CSRs adopted this year by the Council and (iv) makes recommendations that should be reflected in the next year's CSR<sup>10</sup>.

The **methodologies comprised a participatory process** managed by Caritas Europa Secretariat and engaging the expertise of its MO in 23 countries. Information and data were extracted from a questionnaires completed between July and September 2013 by Caritas Europa MOs.<sup>11</sup> The questionnaires sought to gather information and data from statistical sources (official<sup>12</sup> and non-official) and from the experience and knowledge acquired by the different MOs. As part of the process, Caritas Europa organised a workshop at beginning of September 2013 to support the peer exchange of knowledge and information, review the report's contents and further develop its recommendations.

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<sup>10</sup> Country Summaries to be ready in November 2013

<sup>11</sup> The list of all Caritas Europa's Member Organisations that have taken part in the process is provided in the Annex.

<sup>12</sup> In order to guarantee the comparability of data between countries, especially with regard to their performance towards the EU 2020 targets, the majority of official statistics included in this report have been extracted from Eurostat, *Europe, 2013, Data updated in October 2013, 2020 Headline Indicators - National targets*.

## Executive summary

### ➔ Main findings

**1. Poverty and social exclusion continue to be major obstacles to achieving the EU 2020 objective of inclusive growth**

At the EU level and in most of the MS, the distance to EU targets on employment, poverty and social exclusion are farther than they were in the previous years; in 2011 poverty has grown in most of the MS and this trend seems to continue to be increasing. Despite increasing attention to poverty and social exclusion, the AGS and the CSR continue to put the focus mainly on economic growth based on fiscal consolidation and supporting competitiveness.

**2. The economic crisis and measures applied to respond to it are aggravating the differences in terms of welfare policies and social protection in the EU; consequences of these measures are visible especially in Programme countries**

While the countries less pressured by economic adjustments and with more established social welfare systems are making reforms for the modernisation and sustainability of public finances, more vulnerable countries receiving EU financial assistance (delivered through the European Stability Mechanisms) are undertaking drastic cuts, having consequences in the core of the welfare system, thereby increasing their distance compared to the latter.<sup>13</sup> As a result, the differences in the levels of social protection are aggravating and expanding the differences between Central/North and South/periphery parts of Europe.

**3. The on-going crisis is causing a dramatic increase of inequalities and social exclusion, inside and between the MS**

This trend could result into a fracture of social cohesion, not only between countries but also within countries, which is a very worrying trend, bearing in mind that, in previous decades, social cohesion was one of the major principles guiding the EU's integration process. Correcting this situation will require long-term measures as the current process is undermining the basis for progressing towards

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<sup>13</sup> Caritas Europa, 2013, *The impact of the European crisis. A study of the impact of the crisis and austerity on people with a special focus on Greece, Ireland, Italy, Portugal and Spain*

building a Europe based on equal opportunities and social justice.

**4. The current reforms are having a negative impact on access to social services and protection, especially for the most vulnerable people**

In the countries with higher levels of social protection vulnerable people are experiencing increasing restrictions to access social benefits (increasing conditionalities, less income, etc.); in the countries with an inferior social protection level (usually south/periphery) social exclusion is higher and social protection systems, including benefits, are unable to cover the needs of individuals resulting in many people excluded not only from the economic system but also from the public services.<sup>14</sup>

**5. There is an increasing deterioration of the labour market conditions with additional job losses and a rise of unemployment.**

In many countries, the magnitude of unemployment and the increases in joblessness is turning into structural unemployment; the share of long-term unemployment (more than 12 months) as well as unemployment among youth (15 to 24 years) is constantly rising, reaching unacceptable levels; the number of young people who are not in employment, education or training (NEET) is drastically rising. This could jeopardise the future employability of young workers, which, in turn, might dampen a future labour market recovery, most notably in vulnerable MS.

**6. In-work poverty and precarious employment are increasing**

Increasing in-work poverty is an important determinant of income inequality due to not only high levels of unemployment, but also to the growing number of temporary and part-time contracts as well as to the low wages and lack of or limited social security and benefits (job flexibility is frequently causing job precariousness). This is especially affecting young people who after time in unemployment are facing the risk of becoming in-work poor.

**7. Recent data point to higher levels and deeper forms of poverty and social exclusion affecting to child and youth.**

Children, long-term unemployed, youth and people with low education have been particularly hit by the crisis. In 2011, 37.9% of the population in the EU-28 could not afford unexpected financial expenses.<sup>15</sup> In many countries, child poverty is expected to rise in the coming years, affecting every area of a child's development and causing severe long-term consequences. Youth poverty and the transmission of poverty to young people are becoming major

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<sup>14</sup> Caritas Europa, 2013, *The Future of the Welfare State. A comparative study in EU-countries*.

<sup>15</sup> Eurostat, 2013, *Inability to face unexpected financial expenses (source: SILC)*.

- concerns, but this problem is not visible as priorities neither at the EU nor at the national levels.
- 8. Cutting or freezing certain basic social services is aggravating severe forms of exclusion**
- Many families experience a stronger deterioration of their current living conditions. Austerity measures are reducing the availability and quality of public services, which are key for people at risk of poverty or social exclusion; increasing fees in certain fundamental services (health care, access to the justice, housing) is having long-term detrimental effects on people's dignity, employability and capacity to fully participate in society.
- 9. Greater proportion of immigrants are facing risk of poverty and social exclusion**
- Governments and the EU are making an effort to rationalise and control migration flows. Some of the measures are resulting into restrictive immigration policies that are taking higher proportion of immigrants out of formal employment and of social protection systems towards irregular situations; a growth of irregular immigration will most probably cause a rise of labour exploitation.
- 10. Despite the growing importance of Roma issues in the EU agenda, real progress in improving their living conditions and opportunities remains limited**
- Many National Roma Inclusion Strategies require improvement in terms of identifying specific targets, describing concrete measures and allocating sufficient economic resources. At the moment, they are not having a real or positive impact on national Roma policies or on the living conditions of Roma. Some countries continue to expel Roma EU nationals without giving them the right to decent accommodation and without opportunities for education and employment due to the temporary restrictions in certain countries.
- 11. The level of EU Funds expenditures is low in many countries and access of NGOs to the funds continues to be limited**
- Countries with higher rates of unemployment and social exclusion are among those with a lower EU Funds expenditures level. Caritas Europa is highly concerned about this issue. Several MS are increasing the funds to promote social inclusion, updating planning and reallocating funds by taking into account the new social needs; unfortunately this is not the case in many others. NGOs access to ESF continues to be limited.
- 12. AGS 2013 continues to focus on measures to foster economic growth without paying enough attention to promoting various measures tackling poverty and social exclusion**
- Although for the first time, the AGS 2013 calls on MS to (i) prevent child-poverty, (ii) review the tax schemes that increase the debt bias of households (iii) provide quality and affordable childcare, it dedicates very limited attention for measures aimed at poverty reduction while it continues to increase in majority of

the MS.

**13. Very few CSRs 2013 address the issue of poverty and social exclusion; some of them may cause an increase of poverty and social exclusion**

Although there are some CSRs that may contribute to reducing the levels of poverty and social exclusion, most are insufficient, not detailed enough or may directly result into increasing poverty (some of those related to budget cuts and a lower public investment). Some CSRs may have positive or negative effects depending on their interpretation and the way they are implemented.

**14. There is a lack of, limited or not efficient consultation carried out by MS when drafting their NRPs**

This poor consultation demonstrates the gap between societies and policy makers, and contributes to perceiving the EU projects and its process as not democratically driven. The consequences of such perception can put the EU at risk of being seen as an organisation far from reality of the average people.

## **➤ Key recommendations**

The Europe 2020 Strategy claims for smart, sustainable and inclusive growth, whereas in reality the social inclusion pillar of the Strategy seems to have been forgotten. **The Strategy implementation process called the European Semester is mainly focusing on macroeconomic developments, while the poverty and its implications are not comprised within the macroeconomic components to be monitored.** This poses the questions: *What else is poverty, when it is not a macroeconomic component? And what is macroeconomic examination when it does not consider poverty?*<sup>16</sup> Moreover, **the policies promoted should not only focus on increasing employment rate in Europe but also on diminishing poverty and social exclusion.** These two objectives of Europe 2020 Strategy should be implemented in parallel and one should not be achieved at the expense of the other.

In 2011, the *Caritas Europa Shadow Report* highlighted the fact that the NRPs mainly focused on the economy, fiscal adjustments and structural reforms and tended to neglect social issues. In 2012, in the 2<sup>nd</sup> edition of the Report, Caritas Europa confirmed that this trend persisted in whole Europe 2020 process (European Semester) and therefore addressed recommendations for the Europe 2020 Strategy implementation process and its different elements.

The below recommendations are proposed in relation to different elements of the European Semester process and are targeted at the EU institutions and governments that play core role in the Europe 2020 Strategy implementation.

## **Europe 2020 process and financial stability mechanisms**

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<sup>16</sup> Caritas Europa, 2013, *The Future of the Welfare State. A comparative study in EU-countries.*

*Caritas Europa continues to believe that **European Semester has capacities to make Europe 2020 Strategy more socially responsive**. Therefore, taking into account the growing poverty in Europe Caritas Europa recommends:*

**1. Tackling poverty and exclusion to be more visible in the whole Europe 2020 implementation process**

**AGS** should focus on poverty and social exclusion to the same extent as the economic reforms. In addition:

- It should clearly state that the EU priorities for 2014 should include measures addressing the growing poverty among such groups like: **families and children, migrants, youth, Roma and working people**; furthermore, it should promote policies tackling the causes of poverty incl. **precarious employment, cutting of benefits, freezing the access to social services**.
- The Guidelines for 2014 NRPs should invite MS to present how they address or plan to address these issues in their national policies.

All countries should be issued with **CSR** on poverty (especially those experiencing increasing poverty or above the EU average). In addition:

- The CSR related to labour market activation should call on the MS to implement actions that should result in **creating decent jobs**<sup>17</sup>. The labour market reforms promoted through the CSR should be assessed against the risk of delivering low-paid or insecure jobs.
- The **social impact of recommendations** (especially those calling for fiscal consolidation measures) should be taken into account in the process of CSR drafting.

**NRPs** should be more comprehensive in the areas of social protection and social inclusion, with a more explicit focus on the targets related to the reduction of poverty. They should present in detail how the national policies reflect the AGS priorities related to poverty reduction.

**2. Programme Countries should have opportunities for progressing towards achieving**

**Taking into account that financial assistance implies the fiscal and financial cuts causing a reduction of basic services and benefits leading to increased poverty and social exclusion, Caritas Europa recommends:**

- Any conditionality for the financial assistance leading to giving up or **weakening the universality of existing basic services should be avoided**, as this approach goes against basic social rights and results into an increase of poverty and inequalities.

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<sup>17</sup> The decent jobs should give people opportunity to lead a dignified life through employment. Its elements should include faire 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"; see more in Poverty in Europe: A learning and working Europe, Caritas Europa 2010



**the social objectives of Europe 2020 Strategy**

- Universal access to minimum services as well as minimum income should be guaranteed in these countries, if necessary with the support of assistance granted.
- European financial assistance should support measures aiming at social investments including investing in children and youth.
- Countries under financial assistance ("Programme countries") should be issued with **full set of CSR as the other countries** are; the CSR should not be limited to calling on the MS to implement the Memoranda of Understanding for these countries

**Issues to be tackled urgently in order to reverse the growing poverty trends**

*European Statistics and evidence collected by Caritas organisations working on the grass-root levels show that **children and poor families, youth, Roma and migrants continue to be particularly affected by poverty and exclusion.** Their situation has worsened over the last years in result of cuts in public spending for basic social services and benefits as well as in effect of growing unemployment and increasing costs of living. Moreover, the possession of **job is less and less sufficient for preventing people from poverty.** Therefore MS should implement policies tackling above challenges and the EU should prioritise them in its different processes and agendas.*

**3. Child and family poverty should be prioritised in the Europe 2020 process and should have a clear reflection in ESF programmes**

Taking into account that **child poverty** continues to increase, and in view of the severe consequences of child poverty for the European society at the long term, Caritas Europa recommends:

- Child poverty should be addressed through specific CSRs (particularly in those countries with the highest rates or where children are particularly affected by poverty in comparison to other groups).
- Member states should include measures to fight child poverty and increase their focus on child care in their NRPs.
- ESF Operational Programmes should demonstrate how Member States invest in fighting child poverty.
- The *Recommendation on Investment in children* should be implemented and mainstreamed to the national policies

**4. Targeted and comprehensive measures are needed to**

Taking into account the **growing poverty among young people** Caritas Europa recommends:

- Both the AGS and CSR should call the MS to implement measures



**tackle youth  
poverty**

aimed at ensuring quality and decent employment for young people.

- NRPs should report on the respective measures taken towards preventing young people from becoming poor, including **protection of youth unemployed** and when participating in labour activation measures; the NRPs should also report on the concrete measures introduced in order to **counteract precarious and unsecure employment** among the young people.
- When implementing the *Youth Employment Initiative* the MS should make an ex-ante assessment of measures like apprenticeships or tranships against their potential for creating jobs preventing from becoming poor. Any risk of creating precarious employment should be avoided when implementing ESF projects.

**5. Effective  
policies  
addressed  
to migrants  
should be  
applied**

Taking into account continuing exposure of migrants to poverty and social exclusion as well as **growing xenophobic attitudes observed across Europe**, Caritas Europa recommends:

Integration of migrants should be mainstreamed into policies which means that integrated approach should be applied to address the needs of migrants. The measures should include:

- Facilitating migrants' access to health-care system, housing and social services and introducing of programmes for newcomers;
- Undertaking educational programmes and labour market activation programmes as well as facilitating recognition of official qualifications based on acquired competencies. The EU should monitor closely the implementation of anti-discrimination legislation.
- MS should guarantee an access of migrants to the basic rights ensuring basic rights for migrants in irregular situations such as medical care, education and consulting.

**6. The  
Recommendati  
on on Effective  
Roma  
integration  
measures  
should be  
implemented**

Taking into account that a **high proportion of Roma continues to suffer from extreme poverty** and social exclusion across the EU, Caritas Europa recommends:

- The Council should endorse the *Recommendation on Effective Roma integration measures in the Member States*.
- The EC should monitor its effective implementation, including better use of the EU instruments (EU directives, policies and funds) as well as an effective implementation of the *National Roma Integration Strategies*
- The Commission should monitor the inclusion of targeted measures in the areas of employment, education, health care, and housing into

the EU Funds Operational Programmes 2014-2020.

**7. Policies applied should prevent from creating conditions leading to in-work poverty and labour market segmentation**

**Taking into account the increasing labour market segmentation and in-work poverty, Caritas Europa recommends:**

- Counteracting precarious employment should be one of the **core elements of the national and EU employment policies**
- In this context the Commission, when presenting its **AGS Priorities for job-rich recovery and improving employability**, should highlight the importance of creating decent jobs preventing from poverty.
- Consequently the CSR should call on the MS to address (where relevant) the issues of **minimum wages, reducing employment security, wide application of temporary and part-time jobs and attempts to replace the jobs with labour activation measures** like apprenticeships. The risk of creating precarious employment should be avoided when implementing ESF projects aimed at jobs creation.

## **Social Investment and EU Funds**

**8. It is urgent to undertake social investment initiatives to counteract the negative impact of fiscal adjustments**

**Taking into account the increasing inequality and the negative effects of the austerity measures especially in countries under EU financial assistance, Caritas Europa recommends:**

- To undertake **social investment initiatives** in the MS to counter-balance the outcomes of financial adjustments.
- The initiatives, supported by **EU Funds and the European Investment Bank**, as well as promoted within different EU processes should aim at preventing the existing social elements of the welfare states and strengthening the social pillars of the European social model
- Among the different measures, creating **new quality jobs** should be a priority, as well as the initiatives that reinforce the **Social Economy enterprises** and social services of general interest and strengthening the **role of the non-profitable sector in the creation of different forms of employment** for people at risk of poverty and social exclusion.

**9. The European Commission should undertake the necessary measures to ensure that the Social Investment Package is implemented at national level**

**Taking into account the importance of SIP Agenda, it is crucial to ensure its proper implementation at the national levels;** therefore Caritas Europa recommends the Commission to undertake the necessary measures to ensure that the SIP is being implemented through:

- Including the SIP specific priorities in the framework of the AGS; the reforms promoted through the CSRs should include concrete recommendations aiming at the implementation of the specific SIP measures
- Progress on SIP implementation should be reported back through the NRPs.
- SIP implementation should be supported by the EU Structural Funds, especially the ESF.

**10. More EU Funding for poverty reduction and social inclusion**

**Taking into account the low level of ESF spending and difficulties the NGOs have in accessing EU funding, Caritas Europa recommends**

- In order to avoid de-commitments in the current programming period, unspent funds should be **reallocated to programmes aimed at supporting the employment and social inclusion**, notably for the most vulnerable groups.
- Given the implemented cuts in social services and assistance for most vulnerable, **the share of ESF in cohesion policies and support for poverty reduction in ESF programmes should be secured at the highest possible levels**
- The European Commission should guarantee a coherent approach in addressing the issues related to poverty reduction and social inclusion during the negotiations of the Operational Programmes 2014-2020. Causes and **factors leading to poverty among children, in families, among youth and the working population**, as well as among Roma and migrants should be given high importance in the programmes.
- The use of **EU Funds towards implementing CSR on poverty and social inclusion as well as all relevant SIP** priorities should be adequately monitored through both the EU Funds monitoring process and the European Semester.
- MS should by all means simplify the process of implementation of EU Funds, notably through simplified operations and other forms foreseen in the draft regulations.
- **Civil Society Organisations should be recognised as reliable**

**partners** in the planning process and Operational Programmes and in the implementing of the EU Funds targeted at helping vulnerable groups.

## **Role of civil society in Europe 2020 process**

### **11. Increasing and improving the process of dialogue with the civil society**

**Taking into account the decreasing trust of the citizens in the EU and the limited consultation carried out by MS when drafting their NRPs, Caritas Europa recommends:**

- Improving the participatory methods and providing adequate time for stakeholders to respond to the consultation in the European Semester process.
- Establishing permanent structures for consultation and participation, including multi-stakeholder groups to develop meaningful dialogue processes, going beyond information sharing towards full participation.
- Facilitating permanent dialogue between the Commission, MS and CSO when preparing and adopting the NRPs and AGS.

## **1. Macroeconomic scenario and policies**

**The on-going crisis is causing a dramatic increase of inequalities and social exclusion, especially in countries under EU financial**

The on-going economic and financial crisis in the EU is catalysing a deep change at the economic, employment and social level.<sup>18</sup> Looking further ahead, economic activity in the EU appears to have been permanently affected by the crisis, due to adjustment and a long-lasting deterioration in financing conditions. This process is disruptive, in terms of employment and is putting many people on the margins of the labour market and is causing a dramatic increase of inequalities and social exclusion.

Despite increased income taxes and social transfers that were introduced as automatic stabilisers, in the first three years of the crisis, inequality in

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<sup>18</sup> European Commission, 2012, *Annual Growth Survey 2013*, COM(2012) 750 final

**assistance**

income from work and capital increased. This trend is especially worrying in some EU countries, including those under the EU financial assistance.<sup>19</sup> With higher unemployment and lower returns from capital, the crisis not only weighted heavily on incomes from work and capital but also made their distribution more unequal.

Following the recession that marked 2012, the EU economy was expected to stabilise in the first half of 2013; nevertheless it remains in recession. GDP growth is projected to turn positive gradually in the second half of this year, before gaining some traction in 2014. Nevertheless, annual GDP this year is now forecast to contract by 0.1% in the EU and by 0.4% in the Euro area. Projections for 2014 predict that economic activity could expand by 1.4% in the EU and by 1.2% in the euro area.<sup>20</sup>

The reduction in fiscal deficits is set to continue. They are projected to fall to 3.4% of GDP in the EU and 2.9% in the euro area in 2013. The pace of consolidation in terms of structural budget balances is expected to be slower than in 2012. In light of the weak outlook for economic activity, debt-to-GDP ratios are forecast to reach around 89.8% this year in the EU and 95.5% in the euro area. The prospect of a slow recovery makes the situation difficult for the EU as a whole but especially for some countries where, due to the levels of accumulated debt by public and private actors, new activities and investments are not foreseen.

No MS has been immune to the impact of the economic and financial crisis but differentials in GDP growth and labour market situation across countries remain large; while GDP is expected to contract by 0.1% in the EU and by 0.4% in the euro area. In several countries such as EL, ES, CY, IT, PT, it could decrease by over 1.5%; it is important to highlight that many of these countries have exacerbated rates of unemployment. The large differences in unemployment rates that have evolved will take a long time to be absorbed.

**The decrease in unit labour costs in vulnerable countries, aggravated by the high rates of unemployment, is not increasing domestic**

Positive news is that in 2013, the current account of several vulnerable MS is expected to turn positive, helped by lower domestic absorption as well as competitiveness gains on the back of wage moderation and increased productivity. The negative consequence is that while in surplus countries more dynamic wage developments herald larger growth contributions from domestic demand going forward (this increases GDP), the decrease in unit labour costs in vulnerable countries, aggravated by the high rates of unemployment, is not helping to increase the domestic demand – quite the opposite: it is decreasing it, causing economic downturn.

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<sup>19</sup> OECD, 2013, *Crisis squeezes income and puts pressure on inequality and poverty. New Results from the OECD Income Distribution Database*.

<sup>20</sup> European Commission, 2013, *European Economic Forecast. Spring 2013, European Economy 2/2013*.

**demand – quite the opposite**

Joblessness has increased steadily over the past two years, reaching 12% in the euro area and 11% in the EU with a very large degree of divergence across the MS. Survey data suggest a further deterioration of the labour market situation in the near term, given the usually lagged response of employment to GDP. The rising numbers of long-term unemployed and the increasing labour market mismatch does not present positive employment prospects in the medium term: in 2013, employment is expected to decrease further by 0.5% in the EU and by 0.75% in the euro area.

**The deterioration of labour market conditions and the rise of unemployment are turning into structural unemployment, most notably in vulnerable MS.**

Additionally, the latest readings of EC surveys suggest a deterioration of the labour market conditions with additional job losses and a rise of unemployment in the short term. In many cases, the magnitude of unemployment and the increases in joblessness is turning into structural unemployment; the share of long-term unemployment (more than 12 months) as well as unemployment among youth (15 to 24 years) is constantly rising. This could jeopardise the future employability of young workers, which in turn might dampen a future labour market recovery, most notably in vulnerable MS.

**At present, fiscal consolidation continues to be at the heart of policy decisions, despite references to the need to be conducted in a growth-friendly manner**

Fiscal consolidation and the restoration of macro-financial stability have been defined as the basis for growth to guarantee the future of the European social model and continue to be at the heart of policy decisions at European level: As its states in AGS 2013: *The main priority for the euro area is to continue on the path of structural reform [...] and the deleveraging and adjustment process is inevitable.*<sup>21</sup>

Without renouncing the objective of fiscal consolidation, the 2013 AGS stresses for the first time that fiscal adjustment has to continue along the path of a differentiated growth-friendly consolidation strategy, taking account of the high debt levels and long-term challenges to public finances and as well as the need for policy makers to alleviate *the associated economic and social consequences*.

**Still there is no reference to the need to take into account the impact of the fiscal consolidation on social protection systems, inequality and poverty, which are increasing. Caritas MOs continue to confirm that macro-economic policies involving austerity cuts that threaten the Welfare States are negatively impacting social cohesion and undermining the fulfilment of poverty reduction targets; this takes place**

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<sup>21</sup> European Commission, 2012, *Annual Growth Survey - Annex Macro-Economic Report*

particularly in the countries where these policies are aggravated by declining tax resources, which are likely to increase inequalities and poverty. In result poverty is increasing while the income of people in or at risk of poverty and social exclusion is falling, consequently resulting into rising inequality.

It is very likely that poverty and social exclusion are not likely to be addressed effectively in the period ahead.

Furthermore, most of the measures taken so far are not having positive effects on reducing poverty and social exclusion. The link between the economic approach and the fight against poverty and social exclusion in the European Semester is far from obvious; little has been done at the EU level in 2012 and 2013 to break the vicious cycle between fiscal consolidation, lack of economic growth, lack of employment possibilities and increasing inequalities and exclusion.

Understanding that fiscal consolidation can have negative growth effects in the short term, it is recommended in the AGS that it should be conducted in a growth-friendly manner.

## **2. Situation in the Programme countries**

### **EU Financial assistance mechanisms**

In 2010, the EU established European financial assistance mechanisms with the aim of supporting EU MS in difficulty: the European Financial Stability Facility (EFSF) was established as a temporary rescue mechanism. In 2012, the European Stability Mechanism (ESM) entered into force as the permanent rescue mechanism. From this date onwards, the ESM has become the main instrument to finance new programmes. In parallel to the ESM, the EFSF continues with the ongoing programmes for EL, PT and IE.

So far, 8 countries have been granted financial assistance from one of these mechanisms: CY (2013), EL (2010), HU (2008), IE (2010), LV (2011), PT (2011), ES (2012) and RO (2011). In some cases the financial assistance was already disbursed and the repayments have already started.

### **Memorandums of understanding focus on fiscal/deficit adjustments which also affect access to services and social**

When a country benefits from financial assistance, it signs a Memorandum of Understanding (MoU). The financial support is accompanied by a comprehensive strategy to ensure fiscal coordination, surveillance and consolidation, and economic reforms. In general, financial assistance implies drastic fiscal and financial reforms leading frequently to a reduction of public expenditures in areas related to the main public services: education, healthcare, pensions, social benefits, etc. Whilst all the efforts focus on the economy and fiscal/deficit adjustments, social welfare, poverty reduction and the protection of vulnerable groups are not included nor are they taken



**protection; at the same time they do not address poverty reduction and protecting vulnerable**

into account in this agenda.

This is particularly worrying, taking into consideration that these MS applying for financial assistance are confronted with a higher economic downturn, together with more stringent adjustments resulting in increasing poverty and social exclusion and aggravating circumstances of vulnerability.

**The economic crisis is aggravating the differences in terms of welfare policies and social protection between the countries of Europe**

Some sources<sup>22</sup> demonstrate that the economic crisis is aggravating the differences in terms of welfare policies and social protection between the countries of Europe (Central/North and South/periphery): while the countries less pressured by economic adjustments and with more established social welfare systems are making reforms for the modernisation and sustainability of public finances, more vulnerable countries are making drastic cuts which are having consequences in the core of the welfare system, thereby increasing their distance compared to the latter.

The principles of social and territorial cohesion as well as solidarity had been at the heart of the EU. In fact, while in previous decades the major trend was economic growth and social cohesion, resulting in convergence in terms of welfare and income, since the beginning of the crisis there has been an increasing divergence, not only in the social situation but also in the policies, leading to a polarisation between centre/north and south/periphery. When looking at key social indicators and at Caritas organisations' grass root experience, it can be demonstrated that there is an increasing division that could result in a fracture of social cohesion which, up to now, has been one of the major principles guiding the EU's integration process. Recovering this situation will take a long time.

Data from official and non-official statistics as well as feedback from MOs in these 8 countries show three worrying trends:

- The at-risk-of-poverty and social exclusion rate is increasing
- Unemployment and labour market precariousness is increasing
- The access to social protection is being reduced, putting the most vulnerable groups at higher risk of social exclusion

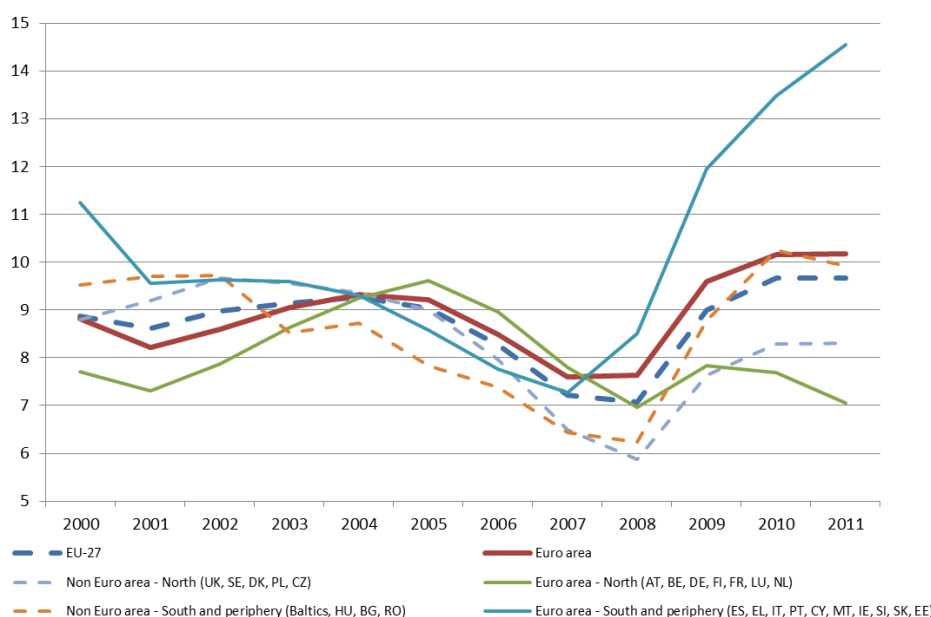
### **Increasing labour market precariousness**

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<sup>22</sup> European Commission, 2013, Social Investment Package. Commission staff working document. *Evidence on Demographic and Social Trends. Social Policies' Contribution to Inclusion, Employment and the Economy. Accompanying the document. SWD(2013) 38 final. I/II and II/II*



**Graph 1. Diverging unemployment rates by groups of MS since 2000, 15-74 age group, 2000-2011**



Source: European Commission, 2013, Social Investment Package, Eurostat data

### High levels of unemployment

In six out of the eight countries analysed, the unemployment rate is well above the European average, reaching more than 25% in some countries such as EL and ES. In ES the overall unemployment rate doubled since 2008.

### Youth unemployment is very high, with marked increases in the past year

In ES in 2012, youth unemployment reached a new high of 53.2%, meaning that it has more than doubled since the beginning of the crisis, making every second person under the age of 25 unemployed. In RO the rate rose by 4.1 p.p. to 22.7% in 2012. Same year in CY youth unemployment reached a new high of 11.9% while in IE it rose by 17.1 p.p. and stood at 30.4%.

### Long-term unemployment is high in all countries

A very high proportion of those who are unemployed are long-term unemployed, indicating that the problem is becoming structural. In ES, the most alarming indicators of the on-going crisis can be observed in the long-term unemployment rate which increased fivefold between 2008 and 2012. In CY, it rose more than sevenfold (from 0.5% in 2008 to 3.6% in 2012), and eightfold among men (from 0.5% in 2008 to 4% in 2012). In IE, the rate increased more than fivefold (from 1.7% in 2008 to 9.1% in 2012).

### Increasing in-work poverty is an important determinant of

The highest in-work poverty rates in the EU are in ES (12.7%), EL (13.8%) and RO (17%). Those working on permanent contracts are far less at risk of in-work poverty than those working on temporary contracts.<sup>23</sup> The key factor explaining the high levels of in-work poverty are wage adjustments,

<sup>23</sup> European Commission, 2012, *Draft joint employment report. Annex to the AGS 2013*.

### growing income inequality and poverty

reduction of working hours, short-time working arrangements and increased part-time work. In general, countries with high at-risk-of-poverty rates have high in-work poverty rates and vice versa.<sup>24</sup> The emerging trend of falling full-time employment in IE remains worrying; in 2011, 23.1% of the workforce worked on a part-time basis.

### Youth emigration is rising

Growing youth emigration will have implications for the makeup of the labour market in the future, exchequer revenue and the funding of public services. In IE, the CSO Migration Estimates<sup>25</sup> show that 200,600 Irish nationals emigrated between 2008 and 2013; the majority of those who emigrated were aged between 20 and 34.

### Reforms have limited the access to unemployment and other benefits

In ES, the Labour Reform has reduced the levels of unemployment protection, especially affecting part-time workers with very little impact on active employment policies.<sup>26</sup> For instance, one year after the labour market reform, unemployment increased by 3 p.p. (up to 26%), that is, by 700,000 people; while in the meantime 850,500 jobs were lost.<sup>27</sup>

Table 1. Rate of unemployment in CY, EL, HU, IE, LV, PT, ES and RO, compared to the EU average

Unemployment rate, annual average (%)			
Country	2010	2011	2012
EU27	9.7	9.7	10.5
CY	6.3	7.9	11.9
EL	12.6	17.7	24.3
HU	11.2	10.9	10.9
IE	13.9	14.7	14.7
LV	19.8	16.2	15.1
PT	12.0	12.9	15.9
ES	20.1	21.7	25
RO	7.3	7.4	7

Source: Eurostat

## Increasing poverty and social exclusion

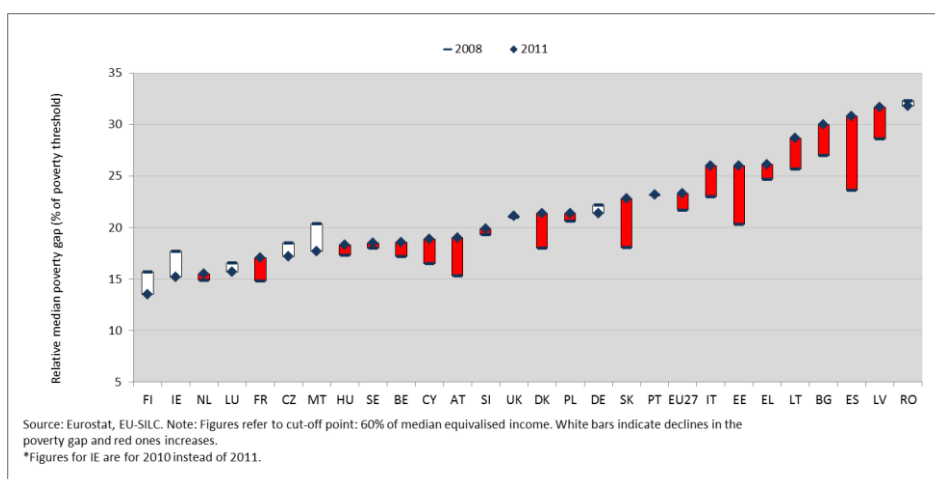
<sup>24</sup> Hugh Frazer and Eric Marlier for the EU Network of Independent Experts on Social Inclusion, 2010, *In-work poverty and labour market segmentation in the EU: Key Lessons*.

<sup>25</sup> Central Statistics Office Ireland, 2013, *Population and Migration Estimates*.

<sup>26</sup> Panizo Robles J.A., 2013, *Las nuevas reglas de seguridad social para los trabajadores contratados a tiempo parcial*.

<sup>27</sup> Instituto Nacional de Estadística, 2013, *Encuesta de Población Activa (EPA). Cuarto trimestre de 2012*.

Graph 2. Deepening of the risk of poverty: change in the at-risk-of poverty gap 2008-2011<sup>28</sup>



Source: European Commission, 2013, Social Investment Package, Eurostat data

### High levels of at risk of poverty and social exclusion

With the exception of CY, all countries have reached very high levels of at-risk-of-poverty and social exclusion – well above the EU average. In some countries, such as in LV and RO, the rate reached up to 40%. In fact, available data shows that in these particular countries people are at a higher risk of entering into poverty and social exclusion and have less opportunity to get out of poverty.<sup>29</sup> Some Caritas organisations observe an increase in extreme poverty, e.g. Caritas EL notes a dramatic increase of homeless people who according to unofficial estimates amount to 40,000 as well as a similar increase of free meals and food distribution.

### Increasing income poverty in most countries, especially among children

All countries have experienced an increase in income poverty, having a dramatic impact on the at-risk of poverty of children (which has been growing since 2007: the most extreme example is RO where it reached 48.7%). In CY, it is expected that the at-risk-of-poverty rate for the age group of children and youth will increase dramatically. According to FRA (the EU Agency for the protection of Fundamental Rights) EL registers the largest number of drop-out pupils (particularly in the Roma community) and has the highest record of unemployed young people. A UNICEF survey on the situation of Greek children in 2013 shows that 597,000 children are living under the limits of poverty, which is 30.4% of the whole children's population. It should be noted that 322,000 of those children live in households with serious material deficits, meaning that they are not fed adequately. Finally, according to a study of the Greek Ombudsman for the Children, there has been a rapid increase in the numbers of undernourished

<sup>28</sup> Data refers to the 60% of median equivalent income, white bars indicate the distance drop in poverty and red bars the increase.

<sup>29</sup> European Commission, 2013, *Employment and social developments in Europe 2012*.

children who faint at school due to starvation, whereas the number of children begging or working as fly by night street traders increases on a daily basis.

**There is a chronic deterioration of living conditions caused by decreasing income and less opportunities to access goods and services**

In ES since 2007, the average income has fallen by 4% while prices have increased by 10%, causing a decline in the capacities and motivations for the improvement of personal and family life;<sup>30</sup> an increased chronic dependence on assistance can be witnessed: almost one third of people assisted by Caritas have been using its services for 3 or more years (2010-2012). In many cases this is due to the absence or disappearance of mechanisms for social protection. In fact, among those assisted by Caritas ES, the number of people with no income has increased from 26% in 2008 to 40% in 2012. According to the latest Caritas RO Confederation statistics,<sup>31</sup> each year Caritas organisations assist 115,000 beneficiaries from the poorest and most excluded social groups. In EL the elimination of the special unemployment allowances and special income support aids to employees who became redundant when the enterprises where they were employed was noticed. .

**Very low or no income, especially among those depending on pension benefits**

In RO, 60,000 Caritas beneficiaries come from poor families, are unemployed or have very low-income family members and often have numerous children that live in improper conditions; 15,500 senior citizens with low pensions or no income at all are assisted in Caritas homecare programmes. However, official statistics do not seem to reflect this problem: for instance, according to Eurostat, the at-risk-of-poverty-rate for people over 65 in RO were 21% in 2009, 16.7% in 2010, and 14.1% in 2011.

Table 2. Rate of at risk of poverty & social exclusion in CY, EL, HU, IE, LV, PT, ES and RO, compared to the EU average

At risk of poverty & social exclusion rate (%)		
Country	2010	2011
<b>EU 28</b>	<b>23.6</b>	<b>24.3</b>
CY	24.6	24.6
EL	27.7	31
HU	29.9	31
IE	27.3	29.4
LV	38.1	40.4
PT	25.3	24.4
ES	25.5	27
RO	41.4	40.3

Source: Eurostat

<sup>30</sup> Instituto Nacional de Estadística, 2012, *Encuesta de Población Activa (EPA)*.

<sup>31</sup> Caritas Romania Confederation, *Solidarity Compassion Hope. Caritas in Romania*.

## **Restricted access to social protection, especially for the most vulnerable groups**

**Austerity measures weaken the automatic stabilisers of the social protection system with amplifying effects on those most excluded**

The factors increasing poverty and social exclusion are currently beyond control in southern countries/the periphery. The freezing of the gross domestic product, the sharp increase in unemployment and budget adjustments have a negative impact on poverty reduction and increase the risk of social exclusion. Moreover, the austerity measures weaken the automatic stabilisers of the social protection system with amplifying effects on those most excluded.

**There is no proof for a positive correlation between the adjustment measures and the reduction of poverty rates**

For the time being, although the objectives of the 2020 Strategy should be linked<sup>32</sup>, the adjustments are detrimental to the social objectives (especially poverty reduction and employment); in fact, the countries that are making more drastic cuts are those where poverty and social exclusion are increasing more rapidly.

**The negative way in which the reforms are impacting social situation of the most vulnerable is a growing concern**

Countries of northern Europe with higher levels of social protection, have introduced restrictions on accessing certain resources and benefits for most vulnerable groups (conditionalities, demand for new obligations, reduced budgets, etc.); in southern/periphery countries, exclusion levels are increasing further and social protection systems, including social benefits, are becoming not only restricted but also polarised (many vulnerable people are expelled from the economic system and public social protection networks).

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<sup>32</sup> European Commission, 2010, *EUROPE 2020, A strategy for smart, sustainable and inclusive growth COM(2010) 2020 final*

**The unimportance given to combating poverty in the NRPs and national policies is conspicuous and the lack of CSRs produced by the European Commission in this area is not encouraging a change of this situation**

Compared to other EU objectives, the unimportance given in NRPs and national policies to measures aimed at combating poverty is alarming. Moreover, cuts and austerity measures are eroding the social infrastructure and impacting upon community based programmes designed to tackle poverty and social exclusion. The lack of issuing country specific recommendations to the countries currently receiving financial assistance, like PT, EL, CY and IE withdraws them from the process of monitoring their progress towards achieving concrete national objectives related with poverty reduction and employment growth. In short, the EU seems not to use the mechanism it possesses to promote more inclusive policies in these countries.

### 3. Poverty

#### 3.1. Overall situation: higher and deeper poverty

**The proportion of people at risk of poverty or social exclusion has risen in a number of MS since 2008, outnumbering those in which it decreased.<sup>33</sup>**

Based on current national targets, the EU target of lifting at least 20 million people out of poverty and social exclusion by 2020 is unlikely to be reached. AGS 2012 stressed that according to a first preliminary estimate of the cumulative ambition made by the EC, around 12 million people would be lifted out of poverty and social exclusion by 2020.<sup>34</sup> Recent data point to higher levels and deeper forms of poverty and social exclusion.

In 2011, 119.6 million people (24.2 % of the population) in the EU were at risk of poverty or social exclusion (AROPE), compared with 23.6 % in 2010 and representing an increase of 0.6 p.p. Data from 2011 demonstrate that rates of people at risk of poverty have increased in all EU countries, except in the UK, PT, RO and BG. Between 2010 and 2011, AROPE rose by 3.7 p.p. in IT and by 3.3 p.p. in EL, while it slightly decreased only in RO (-1.1 p.p.) and PT (-0.9 p.p.).

**Those at risk of poverty are getting poorer in many countries**

The evolution of poverty rates confirms that those at risk of poverty are getting poorer in many countries, especially those where the overall risk of poverty rates is high. In 2010, the EU median income of people at risk of poverty was 22% lower than the poverty threshold, evidencing a deepening of the poverty gap in most MSs since 2008.

The national data show even more worrying trends. In PT, there was a reduction of 3% in the poverty threshold between 2009 and 2010 (annual threshold 2009: 5,207 euro; annual threshold 2010: 5,046 euro). In July 2013, the National Statistical Institute (INE) calculated the at-risk-of-poverty anchored in time. It estimated that the at-risk-of-poverty rate, instead of decreasing to 17.9% (current Eurostat data), increased to 21.3 %.<sup>35</sup>

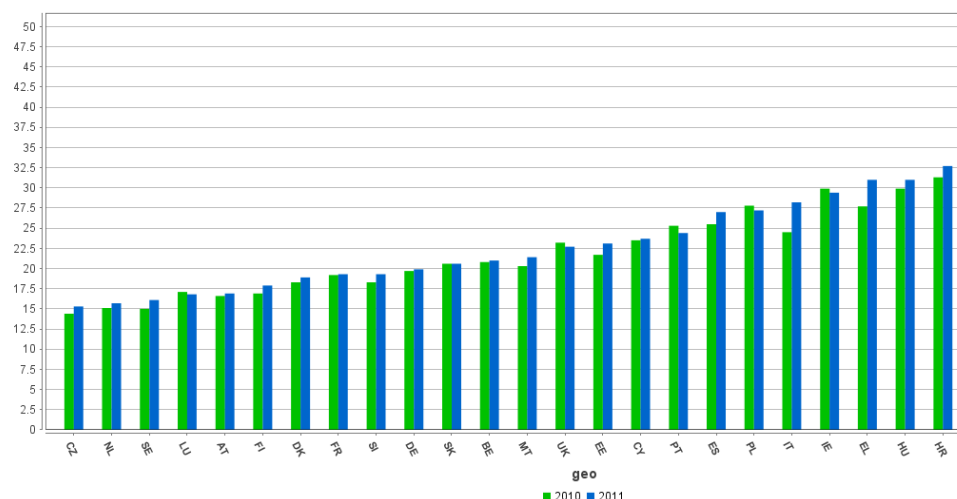
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<sup>33</sup> European Commission, 2012: *Annual Growth Survey 2013*

<sup>34</sup> European Commission, 2011: *Annual Growth Survey 2012. Vol. 2/5.*

<sup>35</sup> Instituto Nacional de Estatística, Statistics Portugal, 2013, *Rendimento e Condições de Vida*, p 7.

**Graph 3. Rate of at risk of poverty or social exclusion in the EU, 2010-2011(%)**



Source: Eurostat

## Children

With a rate of 20.6% in the EU-28, children were at greater risk of poverty or social exclusion in 2011 than in 2010 compared to the rest of the population in 17 of the 26 MS for which data are available.

In 2011, 10.2% of the population in the EU was living in households with very low work intensity. In BE, LT, ES, LVLV, HU and HR this figure exceeded 12%. Although the overall indicator has remained stable between 2010 and 2011 for the EU, it has increased significantly in EL (4.3 p.p.), BG and LT (both by 3.1 p.p.) and ES (2.4 p.p.), while it decreased mainly in the UK (-1.6 p.p.).

In 2011, 8.8 % of the population in the EU-28 was severely materially deprived. The share varied significantly among MS: only 1.2 % of the population was severely deprived in LU while the rate exceeded 30% in BG and LV.

In 2011, 37.5 % of the population in the EU-27 could not afford unexpected financial expenses. This represents an increase of 1.3 p.p. compared with 2010. This figure demonstrates the depth of the crisis. The percentage of people reporting such difficulties ranges from 25% or less in DK, LU to more than 60% in LT, BG and HU, reaching a maximum of 80.1 % in LV. Compared with 2010, this indicator increased by more than 5 p.p. in EL (6.2 p.p.), RO (5.7 p.p.) and IT (5.3 p.p.).



In ES, the number of people assisted by Caritas has risen dramatically as it tripled between 2007 (370,000) and 2012 (1,164,000) – an increased chronic dependence on assistance can be witnessed: almost one third of people assisted by Caritas ES has been using its services for 3 or more years. Caritas HR reported that families, in which at least one parent lost his or their job, usually ask for financial help in order to pay bills (electricity, heating, bank credits, gas, etc.). In LU in 2012, there were 961 visitors in Caritas social groceries, while in 2011 the number of clients was lower by 1/3. Through the parishes, Caritas MT is involved in distributing food to poor people assessed by the National Department of Social Security; 29,600 people benefit from the *European Food Aid Programme* run by the Diaconia Commissions in the Maltese parishes.

Caritas EL argues that a high proportion of Greeks are struggling with daily expenses including food, water, electricity and heating; This situation has increased because many working households have lost a high percentage of their income (through salary cuts, cuts in pensions, cuts in other income sources), combined with a significant rise in taxation and a significant rise in the cost of living since 2010, unemployment benefits last only one year and a range of subsidies that helped low-income families have been cut or cancelled since 2010.

**Although the AGS 2013 recommends measures to counter the effects of the crisis, these are insufficient to revert the current trends**

The AGS 2013 recommends undertaking additional efforts to ensure the effectiveness of social protection systems in countering the effects of the crisis, to promote social inclusion and to prevent poverty through active inclusion strategies and the link between social assistance and activation measures. Although the measures proposed are necessary (adequate income support and the need for broad access to affordable and high-quality services, such as social and health services, childcare, housing and energy supply access and efforts to improve the take-up of measures by vulnerable groups), their implementation is not sufficient to revert the current trends given the size and the dimness of poverty on most MS.

The latest review by the EC on the employment and social situation concludes that social risks are increasing<sup>36</sup>. One of the problems of the current austerity measures being implemented across Europe is that measures that result in short-term saving can have very negative longer-term consequences. Governments need to make assessments of what the long-term impacts of the cuts to welfare and services are in areas such as

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<sup>36</sup> European Commission, 2013, *Employment and Social Developments in Europe 2012*

education, health and social care.<sup>37</sup>

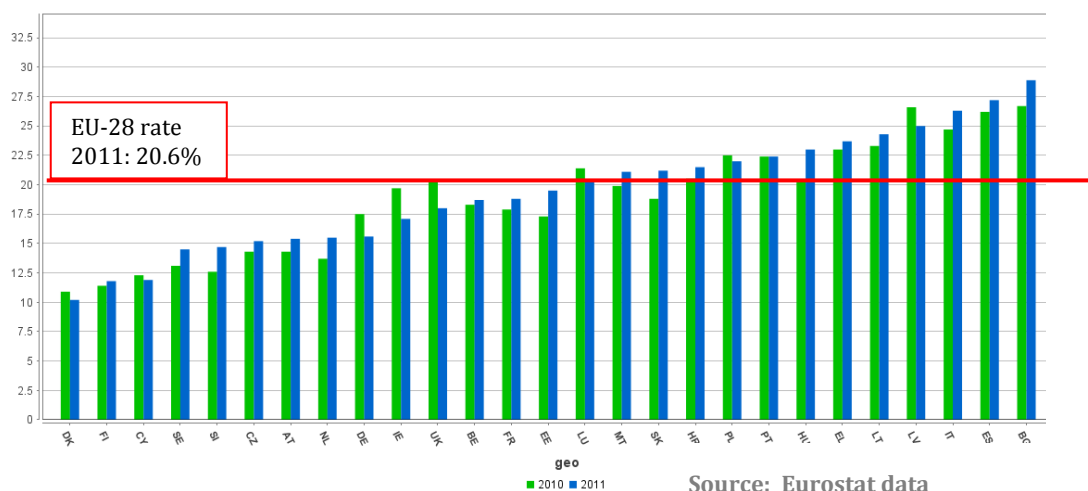
## 3.2. Main concerns

### 3.2.1. Child and family poverty: a major concern

**In many countries, child poverty is expected to rise in the coming years**

Child poverty is a problem that all MS have in common; it continues to be a major concern for most Caritas MOs due to the fact that poor children experience a disproportionate share of deprivation. Children are generally more at risk of poverty or social exclusion than the overall population, with a rate of 20.6% in 2011 compared to 16.9% for the population as a whole in the EU.<sup>38</sup> Only in a few EU countries, children are less at risk than the overall population. In the UK, child poverty is projected to rise from 2012/13 with an expected 600,000 more children living in poverty by 2015/16. (2.3 million children in 2010 to 3 million in 2015 and 4.7 million children projected to be living in poverty by 2020).<sup>39</sup> In many countries the growing trend will continue.

Graph 4. At risk of poverty rate in the EU, age group under 18 (5)



**Growing up in poverty may**

Child poverty is recognised as a multidimensional problem which requires urgent action in the fields of social, economic, health, environmental and

<sup>37</sup> Caritas Europa, 2013, *The impact of the European crisis. A study of the impact of the crisis and austerity on people with a special focus on Greece, Ireland, Italy, Portugal and Spain*

<sup>38</sup> This indicator is the headline indicator for monitoring the Europe 2020 strategy poverty target. It reflects the share of the population living in a household which is either at risk of poverty, or severely materially deprived, or with very low work intensity.

<sup>39</sup> Institute for Fiscal Studies, 2013, *Child and Working Age Poverty in Northern Ireland*.

**affect every area of a child's development and may have severe long-term consequences**

cultural policies.<sup>40</sup> Children growing up in poverty and social exclusion are less likely than their better-off peers to do well at school, to enjoy good health or to realise their full socio-economic potential later in life. Growing up in poverty may affect every area of a child's development and may have severe long-term consequences: restraining children from achieving their full potential adversely affect their health, inhibiting their personal development, education and general well-being. In fact, there is an interconnection between being poor and disadvantaged in young age and being poor and disadvantaged in adulthood.<sup>41</sup>

**The crisis continues to worsen children's situations in most MS**

The sharp rise in unemployment that has hit adults of working age is having an impact on child poverty. Single-parent households have been worst hit. They face a much higher risk of poverty and social exclusion (above 50%) compared to other household types. However, even families with two adults and two children were exposed to greater risks of poverty or social exclusion.<sup>42</sup>

On the basis of their observations Caritas organisations report that the main causes linked with child poverty are related to:

- Employment or unemployment situation: parents work in low paid jobs, parent(s) lost a job, long-term unemployment by one (or both) parents, part-time employment, etc.
- Lack of appropriate services: cuts in public spending for benefits and other means supporting families, lack of access to care services, budget cuts, etc.
- Individual or social situations: single parents, migrant families, low level of education, territorial disparities (e.g. UK in London, IT in the south).

Caritas organisations across Europe are also observing **an increase of poverty among children and families**. National data as well as Caritas statistics on groups assisted by its centres demonstrate the severity of the situation. Socioeconomic circumstances are aggravating child poverty to the point of failing to provide basic needs. This affects especially children of unemployed or the working poor, children of parents with disabilities, children from families living in poor and remote areas, children from family migrants:

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<sup>40</sup> Caritas Europa, 2012, *Europe 2020 Shadow Report, Edition 2020, Missing the Train for Inclusive Growth, Assessment of the 2012 NRP proposals for a 2013 Annual Growth Survey, Country Specific Recommendations and National Policies*

<sup>41</sup> Caritas Europa, 2011, *Child Poverty, the State of Play in Europe*

<sup>42</sup> European Commission, 2013, *Social Investment Package. Commission staff working document. Evidence on Demographic and Social Trends. Social Policies' Contribution to Inclusion, Employment and the Economy. Accompanying the document. SWD(2013) 38 final. I/II*

In HR between 2011 and 2013, a 10% increase of children living in poverty has been observed – a growing tendency among families being already the recipients of social welfare assistance. In FI, the number of children living in low-income families doubled in the last two decades reaching 143,000 in 2009. In IT, the number of people living in families experiencing poverty accounted for over 3.2 million (2012). In FR, the National Institute for Statistics and Economic Studies (INSEE) reports that in 2010, 19.6% of persons below 18 years old lived under the poverty line.<sup>43</sup> According to INSEE, one child in five is poor and one poor in three is a child.

- In CY in 2013, 7.8% of the pupils, whose parents are registered at the Social Welfare Services as living under the poverty line, are receiving school breakfast; it is expected that the at-risk-of-poverty rate for the age group of children and youth (under 18 years old) will increase dramatically.
- Caritas EE has concentrated its activities on alleviating poverty of young mothers (aged 18 and younger). The organisation's observations provide a deeper understanding of their current situation: Young mothers are excluded from their families and peers for their choice to remain pregnant, keeping their babies and bringing them up alone. Those without extended family support live in extreme poverty. Social transfers, entitlements or programmes are aimed at assisting "single mothers", without taking into consideration the demographic subset of "young mothers", i.e., children who have children.
- In FR, the number of families and children in poverty assisted by the Secours Catholique has increased: Families accounted for 47% of households in 2001, 49% in 2008 and 53% in 2011. In 2001, children accounted for 45% of total beneficiaries, in 2008 they accounted for 46.2% and in 2011 for 47%. The most affected families are single-parent families (31% of the situations encountered in 2011 are single-parent families compared with 26% in 2001 and 29.4% in 2008), especially single mothers (90% of single families).
- Secours Catholique (Caritas FR) observes a similar trend as the number of children attended by this organisation increased from 627,000 in 2001 to 668,000 in 2011<sup>44</sup>.
- In HR, diocesan Caritas annual reports on social care and services provided indicate an increased number of families with 3+ children, elderly, retired persons with under-poverty-line pensions and single parent families. Families, in which at least one parent lost his or her job, usually ask for financial help in order to pay bills (electricity, heating,

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<sup>43</sup> INSEE, 2012, *Taux de pauvreté selon l'âge et le sexe en 2010*.

<sup>44</sup> Secours Catholique, 2011, *Statistiques d'accueil 2011, Regards sur 10 ans de pauvreté*, pages 6 to 14.

bank credits, gas, etc.).

- Caritas IT has highlighted the number of separated/divorced parents in need, that apply for assistance with Caritas. In 2012, 74.2% of total users had children (2008: 52.5%) and 12.7% of users were separated or divorced (2008: 14%).
- In RO, 15,000 children are assisted in day care, development and orientation centres. They get quality education and attend after-school programmes and psychosocial assistance. These programmes try to reduce the school-drop-out rate, prepare the children for their professional future and promote equal opportunities for all children, especially for poor and Roma children.
- In MT, a share of 11% of households with children reported that they could not afford to eat a meal with meat, chicken, fish or a vegetarian equivalent every other day, while 30% could not afford to face unexpected financial expenses. In addition, 17% could not afford to keep their home adequately warm in winter. 5% of households with children had been in arrears on mortgage or rent payments at least once over the previous 12 months
- Caritas in the UK has observed increased cases of inadequate housing conditions, children who are malnourished, wearing inadequate winter clothing and ill-fitting shoes.

The new categories of poor children are those from migrants' families and EU citizens working abroad. This is particularly observed in such countries like RO and BG; e.g. In 2008, more than 1 million RO were working abroad, especially in IT and ES. Out of these, 239,000 have their own families in RO, which is forcing children to live without families or living with only one parent. In BG, compared to 2008 the number of children with parents working abroad has also increased. Most of them live with their grandparents in extremely poor conditions.

Caritas Europe welcomes the measures proposed by the European Commission in its Recommendation on *Investing in children*<sup>45</sup> and its triple complementary approach for breaking the cycle of disadvantage: (i) access to adequate resources, (ii) access to affordable quality services and (iii) children right's to participate. However, **in order to address this growing problem, a real commitment from MS and the EU is required.**

As stated in the Communication on the SIP, it is therefore expected that the next AGS will

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<sup>45</sup> European Commission, 2013, *Commission Recommendation: Investing in Children: breaking the cycle of disadvantage C(2013) 778 final*

urge the MS to reflect an increased focus on social investment in childcare in their policies. That would imply an integrated way of implementing the *Recommendation*, which should take the form of a combination of cash and in-kind benefits, access to education, health and social services.

The progress of implementing the above measures should be reported in the NRPs, together with the use of EU Funds for this purpose. The countries' progress in implementing of the *Recommendation* should be assessed by the Commission and should create a base for producing concrete country specific recommendations to be issued next summer within the framework of European Semester.

### **The key role of the families**

Family structures are changing in Europe. In recent decades, an increasing number of women have been getting an education and going out to work. Changes in values, opportunities and increasing mobility have led and continue to lead to changing family structures. Since 1970, there have been fewer marriages, falling from eight to five a year per thousand people, while the number of divorces has risen from one to two per thousand.<sup>46</sup> This has probably increased the number of single-parents and recomposed families. More children, now over a third, are born outside marriage.<sup>47</sup>

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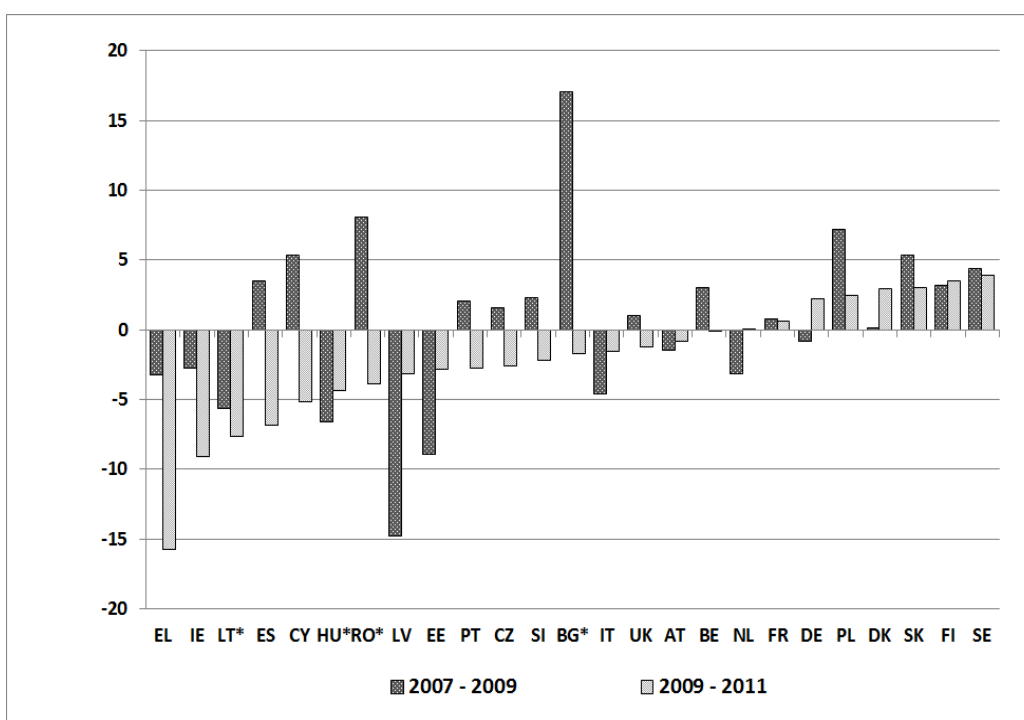
<sup>46</sup> European Commission, 2010, *Demography report*

<sup>47</sup> *Loc. cit.* European Commission, 2013, *Social Investment Package. Commission staff working document, SWD(2013) 38 final. I/II.*

**Between 2009 and 2011 gross household disposable income declined in two out of three MS**

In most MS the economic and labour market crisis, combined with the need to pursue fiscal consolidation (involving cuts in benefits and increases in taxes), weakened the protective effect of national automatic stabilisers. Many families reached the end of benefit entitlement or faced declines in benefit levels. As a result, household incomes declined especially in those MS where the recession was prolonged. Fiscal consolidation measures implemented since 2010 have contributed to significantly reduce household disposable incomes.

**Graph 5. Change in gross household disposable income during the crisis**



Source: Eurostat and National Accounts

**Many families experience a stronger deterioration of their current living conditions**

The share of the EU population reporting that their households are experiencing financial distress remains historically high, having generally edged up further recently. Essential consumption items (food, housing) represent a larger share of family budgets, resulting in a rise in material deprivation for their children.

**The need for intensive and specific measures**



Based on the 2012 edition of this Report and recent trends Caritas organisations have highlighted, there is a need to undertake measures in the following areas:

**Access to and  
better  
employment**

Unemployment, long-term unemployment or low-work intensity is frequently noted in the poor families (in BG, HR, FI, LT, LU, SI, UK, AT). Indeed, employment and earnings from work constitute the best remedy to minimise people's risk of becoming poor. In fact, having well remunerated work provides some resilience to poverty. This is all the more true for families with children: the impact of not working or working part-time is stronger for families with children than for families without children as the risk of poverty is much higher. On average in the EU-27, more than half of children in families with no or very weak attachment to the labour market are at risk of poverty. Access to employment of parents is a prerequisite to reducing child poverty but it is not enough. Incomes from employment are not always sufficient. Caritas organisations have observed that this situation is mainly experienced by families where adults have part-time or temporary contracts or are having low-paid jobs (HR, FI, FR, LU, RU). In 2011-12, 17% of children (2.3 million) in UK were in households with incomes below 60% of the contemporary median net disposable household income before housing costs, and 27% (3.5 million) after housing costs.<sup>48</sup> Significant causes of child poverty include low-paid and precarious employment with zero-hour contracts or short-term/seasonal contracts. Supporting full time jobs and increasing salaries enable parents to provide what they need for a decent life, education and health care.

**Guaranteeing  
the access to  
services**

The existence and persistence of social inequalities in children's health and education, is related to the increasing cost of services and of daily live. Some MOs have reported that socioeconomic circumstances are aggravating child poverty to the point of **failing to provide basic needs** while in other countries **cuts in spending for services and benefits** (HR, IE, LT, BE) are resulting in lower accessibility of basic services like education or care services. Caritas PT reports that, although the government has created 13,000 places in child-care services, the cuts in income of the families and costs of placing children in such centres are too high and, as a result, parents decide to take kids out of these services. Experiences also show that poor families often resist claiming benefits and free school meals because of a fear that they will be badly stereotyped (UK).

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<sup>48</sup> Department for Work & Pensions (UK), 2013, *Households below average income*.



**Provide measures for cheaper accommodation**

Significant causes of child poverty include the rising cost of living, in particular the cost of accommodation. Almost a quarter of children (and 40 % of children at risk of poverty) lives in overcrowded accommodation, compared to 18 % of the EU population as a whole.

**Address other causes of poverty in the families**

There are **several other specific factors** accompanying poverty situation of families and children. According to Caritas observations poverty is mainly present in families where parents have **low education levels** (BG, IT, RO), **single-parent** families (BG, DE, FR, IT, LT, MT) as well as in **families with many children**. **Migrant background** is frequent in the poor families in FI and IT. In LT, poverty is concentrated among single people with one child (42.4%) and two adults with three and more children (33.1%), In AT 22% of people assisted by local Caritas were single parents.

There are also important **geographical factors**: in RO and BG poverty concentrates mainly in families living in rural areas, in IT it affects southern regions. In FR, child poverty is concentrated in three regions: Ile de FR, Rhône-Alpes and PACA (Provence Alpes Côte d'Azur), and in some cities: 44% of children are poor in Marseille and Avignon, 50% in Venissieux and Vaulx-en-Velin (Rhône), and 49% of children are poor in sensitive urban zone (ZUS) .

**Well-working mechanisms should be protected and developed**

In general in the EU, MS social transfers reduce the at-risk-of-poverty rate significantly. However, it is worth noting that in some MS protection systems continue to prevent children from becoming poor; however, these systems have been affected by budget cuts as well (CY, LU). There are also several positive examples of the recent policy development. In LU the investment in care services resulted in higher participation of parents in activation measures. In SE the special children allowance (as a part of housing allowance) and special recreational allowance for children are introduced as a part of the increased spending for welfare foreseen in the 2014 Budget Bill.

Caritas Europa believes that the best way of fighting poverty is to prevent it. To do it efficiently support must concentrate on the early stage of life and on the transitions from one to another. This requires investment-oriented social

policies that take care of impoverished families at an early stage. To the extent that these policies can avoid the intergenerational transfer of poverty there will be fewer adults affected by poverty who will need assistance.<sup>49</sup>

### **Increasing poverty among youth**

**The persisting economic instability is exposing young people to unprecedented hardship: one third of young people in the EU is at risk of social exclusion**

Unemployment, underemployment, socio-economic inequalities, poverty and social exclusion are disproportionately affecting the young generation, whose autonomy, dignity, well-being and access to rights are rapidly eroding. As a result, Europe risks not only producing a “lost generation” of disillusioned young people, but also undermining its political stability and social cohesion, justice and peace, as well as its long-term competitiveness and development prospects in the global context.<sup>50</sup>

A significant proportion of the young population is living in marginalised and deprived conditions, which hinder them from exercising their fundamental rights and threaten their long-term future. The main determinants of social exclusion are rooted in social inequalities, such as obstacles to accessing quality education and training, securing adequate employment, suffering from discriminatory practices and attitudes, as well as being subject to exclusion processes based on residence and/or citizenship. Being a non-EU foreigner (or belonging to other categories of individuals lacking identity and residency papers) deeply increases the chances of suffering from severe material deprivation amongst youth.<sup>51</sup>

The EU-28 average rate of at risk of poverty among people between 18 and 24 is 21.7%. In most of the EU countries, this rate is increasing; in the cases of BG, EE, IE, IT, ES, LT, RO and DK there has been a rise of more than three p.p. between 2010 and 2011. Youth poverty and the transmission of poverty to young people are becoming major concerns, but this problem is not visible as a priority in NRPs nor sufficiently described in the measures planned by MS.

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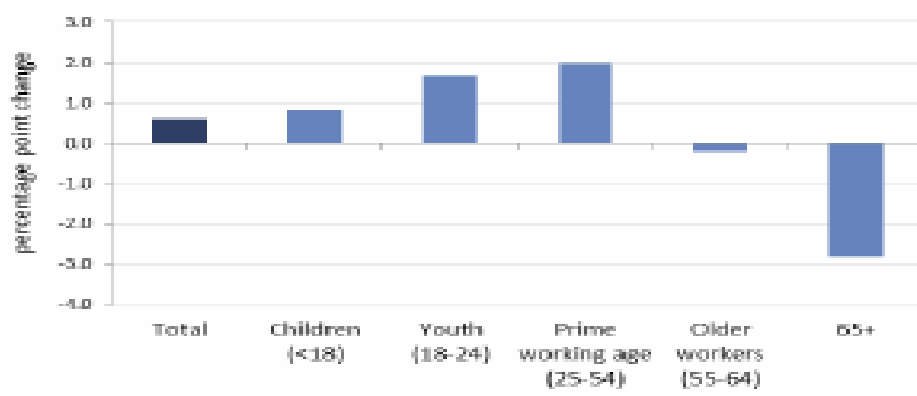
<sup>49</sup> See more on Caritas Europa analysis on preventing poverty in: *Poverty among us, Part A: An analytical approach*, Caritas Europa 2010

<sup>50</sup> Council of Europe, 2012, *The young generation sacrificed: social, economic and political implications of the financial crisis*, Doc 12951, Parliamentary Assembly

<sup>51</sup> European Commission, 2013, *Youth Social Exclusion and Lessons from Youth Work. Evidence from literature and surveys*

Graph 6

Change in the risk of poverty or social exclusion  
in the EU by age group , 2008-2011



Source: EU Employment and Social Situation, Special edition: Annual Overview, September 2013 Key facts and figures, DG Employment<sup>52</sup>

The lack of jobs, low-paid jobs, lack of security in the employment, temporary employment and repeated traineeships are among the most frequent conditions affecting poor incomes of young people. In 2012, people aged 15-24 working part-time represented 31% of the total youth EU-28 employment rate.<sup>53</sup> All this circumstances are related to precarious and flexible jobs aggravated, in many cases, by involuntary shelf employment and shadow economy.

Several Caritas organisations have reported that some structural reforms of the labour market that helped to create new jobs also expanded precarious employment, especially for the young generation: temporary contracts and low-paid jobs have increased wage inequality. In many cases, flexible work is leading to “precarious work”. In IT in 2011, more than one third of young people between 18 and 29 years old had a fixed-term contract, and many precarious contracts did not foresee any social protection. According to data quoted by Caritas PL 60% of working young people in this country are employed within the framework of “civil contracts” what puts them outside the protection of labour code legislation and respective labour protection services. Caritas ES has called attention to the potential negative consequences of some measures proposed in the Spanish Youth Employment Strategy that could weaken the social protection of young workers. Caritas DE

<sup>52</sup> European Commission, 2013, *EU Employment and Social Situation Quarterly Review – September 2013*

<sup>53</sup> Eurostat, 2013, *Part-time employment as a percentage of the total employment, by sex and age (%)*.

has highlighted that with the recent reform of the mini-jobs, the maximum wage for a mini-job was raised from 400 EUR to 450 EUR. Possible impacts of this measure are that mini-jobs might provide incentives for not choosing a full-time job.

The European Youth Forum and the Council of Europe's Advisory Council on Youth point to the shortcomings of the measures taken by many governments in response to the crisis, notably ill-conceived cuts in public spending without instead considering any redeployment of resources towards priority action, including support for young people. They are worried about the worsening conditions for young people in labour markets, notably the spread of precarious work and unpaid or underpaid internships, which lead to eroding access to autonomous life, political participation and social services, as well as a rise in extremism.<sup>54</sup>

**Unemployment, insecure jobs and poor working conditions are affecting the wellbeing of youth working people**

Besides unemployment, insecure jobs and poor working conditions also severely affect the health and wellbeing of young people. Studies have demonstrated, for example, that employment in the 'shadow economy' generally offers working conditions of comparatively low quality such as long hours, minimal health and safety rules and no time off. In addition, employees operating in the shadow economy are not paid standard wages and do not receive the general benefits of insurance, including health, disability, and social welfare.

Poverty often derives from a lack of employment or poor working conditions, and is frequently a condition shared by and transmitted through generations. Children and young people growing up in families that struggle to afford quality in housing, health care, education, and basic comforts, are significantly more exposed to the risk of inheriting such conditions and replicating them in their adulthood. For instance in RO many young people earn low income and they are forced to live with their parents and their grandparents; they inherit poverty and cannot continue education. It is therefore crucial to consider a household's circumstances to assess the risks of social exclusion.<sup>55</sup>

**Quality and efficiency of traineeships**

Despite traineeships being very important for the access to employment, there are serious concerns about the quality of traineeships on offer and their added-value when there is insufficient learning content, inadequate

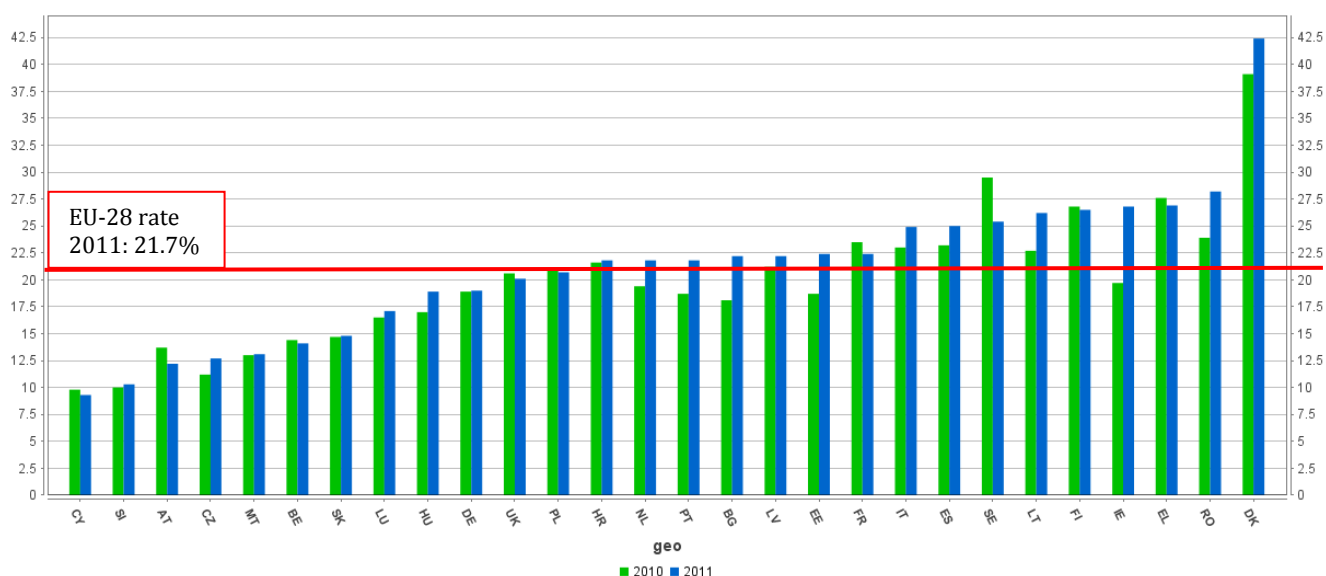
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<sup>54</sup> Council of Europe, Parliamentary Assembly, 2013, *The young generation sacrificed: social, economic and political implications of the financial crisis*.

<sup>55</sup> European Commission, 2013, *Youth Social Exclusion and Lessons from Youth Work. Evidence from literature and surveys*.

working conditions and repeated traineeships that in reality are used as substitutes for real jobs. Moreover, in many countries, young people are over-represented among workers on temporary contracts. Reducing the gap between employment protection legislation for temporary and permanent contracts will contribute to facilitating the transition of newcomers, including young people, from entry jobs with short duration to more stable jobs that offer good career prospects. Moreover, reducing the cost of employing young people in their first job, for example through targeted subsidies and reductions in social security contributions in the case of low-skilled positions, can make an important contribution in the right circumstances.<sup>56</sup>

**Graph 7. At-risk-of-poverty rate in the EU, age group 18-24 (%)**



**Source: Eurostat**

Growing poverty among young people has results in an **increase in the number of youth asking for assistance at Caritas organisations**. Caritas IT reports an increase of 60% among young people requesting help in its centres (between 2005 and 2010). In 2010 one fifth of all asking for assistance were youth, while in 2012, 30% of all people asking for help were below 30 years old. The share of youth in the group of recipients supported by Secours Catholique (Caritas FR) is higher than the overall share of young people in the French society.

The analysis and evidence of Caritas organisations getting more and more involved in helping young poor requesting help demonstrates that there are **many different factors leading or accompanying the poverty situation**. Poverty is visible among young Roma (BG, SK), low educated youth (BG), young rural inhabitants (PL, RO), those of foreign origin or benefiting of social

<sup>56</sup> European Commission, 2013, *Working together for Europe's young people. A call to action on youth unemployment*, COM(2013) 447 final. URL: [http://ec.europa.eu/europe2020/pdf/youth\\_en.pdf](http://ec.europa.eu/europe2020/pdf/youth_en.pdf)

transfers (FR). However, new and worrying trends are observed among youth with middle or higher educational levels (BG, FR) or working (FR).

A detailed analysis<sup>57</sup> of Secours Catholique (Caritas FR) beneficiaries highlights **several categories of “vulnerable young” applying for help**. The categories include young job seekers or students (21% of Caritas FR beneficiaries), young mothers-RSA<sup>58</sup> beneficiaries who live with social transfers as they have difficulties to find a job (22%); young people in extreme precariousness who are often foreigners of irregular status possessing low knowledge of French (17%), young French without family or in family breakdown who do not receive financial support from their parents and do not have any resources (17%) and young workers who are facing job insecurity (14%). Among them, 8.6% of youth have difficulties to read and write, 24.7% have a primary school level, 50.4% have secondary school level and only 16.3% have a highest education level.

Many young people are **losing social insurance**, which is causing limited access to basic rights, together with a lack of social protection (BE, IT).

The **absence of qualifications and working skills** is observed among many young people. This is affecting particularly the most vulnerable groups such as the Roma and people with disabilities (BG). Caritas organisations try to respond to this demand by organising provision of trainings and programmes improving qualifications of youth (EE, FR, BG, RO).

Many young people are forced to **drop out from school due to the lack of means** of their families (RO and SK especially in the case of Roma).

Many young people are **not able to have an independent life**. In IT, the share of people living at home between 25 and 34 reached 42% in 2011. Young people are postponing decisions on creating families and on living independently, as reported by Caritas IT, SI and RO. As a result, the fertility rates are decreasing, as young people have no perspectives for developing good conditions for their families. When the family safety nets are not capable of helping young people, they are at risk of facing more extreme forms of poverty, including homelessness. In the UK in 2008, there were around 80 thousands youth homeless; furthermore, an **increase of homelessness** among youth, sleeping in poor quality hostels or on the sofa of a friend (“sofa surfing”) is observed. UK Caritas organisations are trying to cope with this problem through offering support for young people in 45 night shop centres.

### **Poverty among young people should become a priority on the agenda for the coming years**

Targeted and comprehensive political action is urgently needed to make positive change in the lives of young people living in Europe. Measures should be reinforced and funds

<sup>57</sup> Secours Catholique, 2011, *JEUNES, UNE GÉNÉRATION PRÉCAIRE*. URL: [http://www.secours-catholique.org/IMG/pdf/Dp\\_Stats2010-2-2.pdf](http://www.secours-catholique.org/IMG/pdf/Dp_Stats2010-2-2.pdf), pages 15 à 29.

<sup>58</sup> INSEE: The active solidarity income (RSA) is an allocation which completes the initial household resources to reach the level of a guaranteed income.

earmarked in the NRPs to overcome this situation of emerging and persistent problems. Fostering education and training, offering concrete opportunities for increasing young people employability should be a top priority.

When Implementing the Youth Employment Initiative, MSs should focus not only on increasing an employability of young people but also on delivering decent employment, including appropriate social protection and avoiding any kind of precarious work.<sup>59</sup>

Without underestimating the potential opportunities of self-employment for the young people it should not always be considered as solution, especially if it became a form of involuntary or “dependent self-employment”.<sup>60</sup>

### **Unemployment and NEET increasing**

**The unemployment rate of young people is 2.5 times higher than that of the population of working age**

More than one in five young people are unemployed; that is, 5.52 million young people in the EU. Over the last 12 months, the youth unemployment rate increased in the large majority of MSs. In two MS it has remained at levels above 50% and above 30% in four, reaching even 70% in some regions<sup>61</sup> demonstrating growing difficulties in the transition from education to employment.<sup>62</sup>

#### **Graph 8**

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<sup>59</sup> Caritas Europa, 2013, *EU-Wide Youth Guarantee Schemes prevent falling into poverty and social exclusion*. URL: <http://www.caritas-europa.org/code/EN/soci.asp?Page=1495>

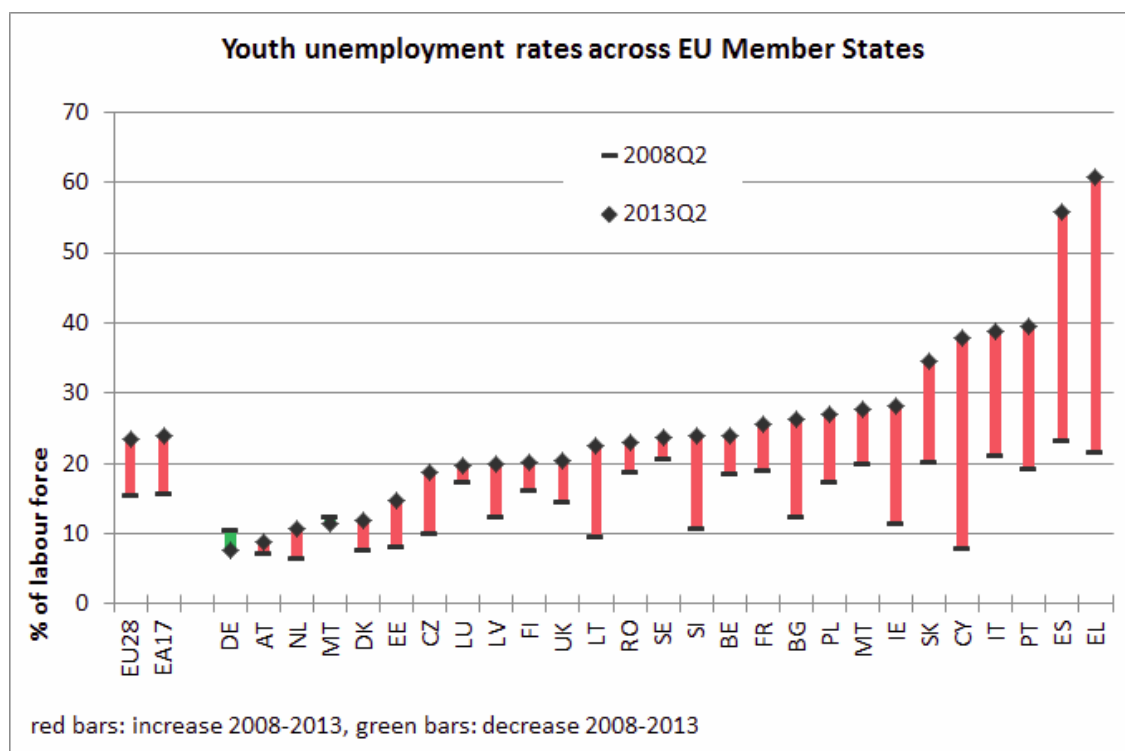
<sup>60</sup> European Parliament, 2013, *Social protection rights of economically dependent self-employed workers*. URL: <http://www.europarl.europa.eu/delegations/en/studiesdownload.html?languageDocument=EN&file=92570>

<sup>61</sup> Council of the European Union, Youth Employment – Policy debate (Presidency paper questions) – 10375/13

<sup>62</sup> European Commission, 2012, *Annex draft Joint Employment Report to the Communication from the Commission Annual Growth Survey 2013*, COM(2012) 750 final



**Limited inflow  
of permanent  
and full time  
jobs**



*Source: EU Employment and Social Situation, Special edition: Annual Overview, September 2013 Key facts and figures, DG Employment*

The fall in employment for young people was most pronounced in permanent and full-time jobs. More than 40 % of young employees in the EU have temporary jobs compared to 13.1 %<sup>63</sup> of the population of working age as a whole; this proportion has grown during the downturn. While in 2007, 14.5% of all employees worked on temporary contracts, this share dropped to 13.7% in 2012. In the case of young people working on temporary contracts, their share compared to the entire employed population has increased from 41.3 % in 2007 to 42.2 % in 2012. In fact, there is an increasing identification for youth between “flexible work” and “precarious work”.

<sup>63</sup> *ibid.*



**The number of young people who are not in employment, education or training (NEET) is drastically rising in the EU**

The deterioration in the employment situation of youth has led to a sharp rise in the number of young people who are NEET, which will have worrying negative consequences in the future in terms of social inclusion and cohesion. NEET status is linked to low educational attainment and early school leaving, and related to a lack of soft skills, vocational training, and work experience to navigate the transition into the labour market when leaving school.<sup>64</sup> This is often related to earlier social exclusion, during childhood years.

Early school leavers are the most vulnerable subgroup of Europe's young workforce. Across the EU, more than half of young people dropping out of school are unemployed. The share of early school leavers dropped from 14.1% in 2010 to 13.5% in 2011. Early school leaving remains more frequent among young people from disadvantaged backgrounds, among migrants and ethnic minorities such as Roma.

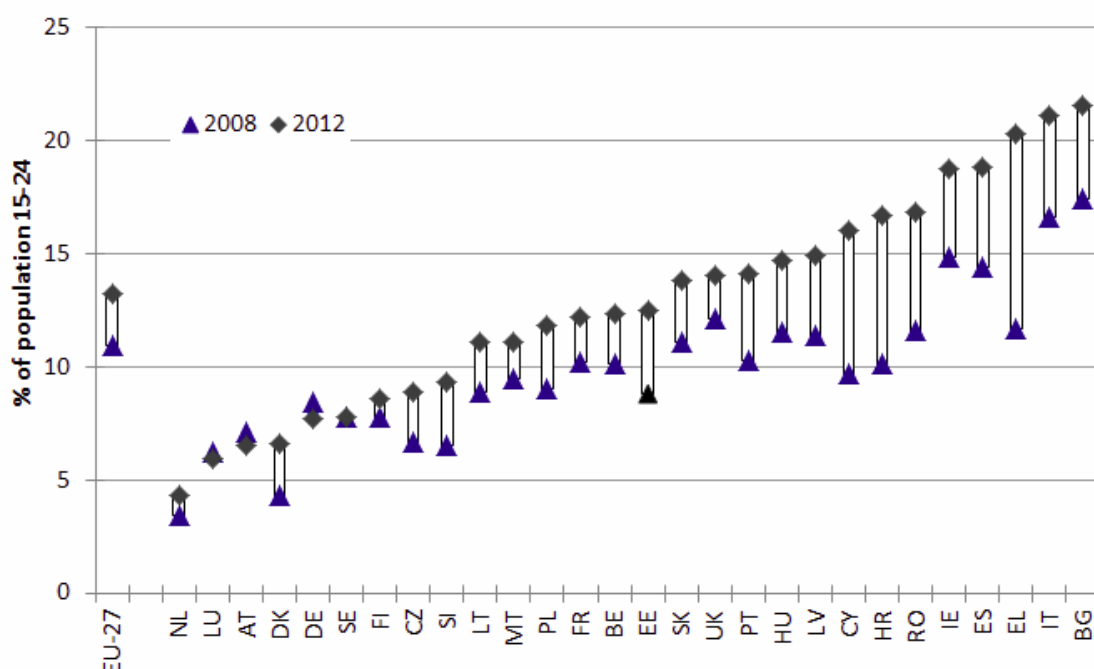
From 2008 to 2012, NEET rates have drastically risen in all the EU except in Luxembourg, AT, DE and SE. NEET disaffection has consequences on the social and political marginalisation (low trust in institutions and a low level of political and social participation) of youth besides adding up to 1% of GDP in the 21 EU MSs studied.<sup>65</sup> The analysis also revealed that NEETs cost some 100 billion EUR each year, or about 1% of the average gross domestic product (GDP), in wasted resources (foregone earnings) and are an extra burden on public budgets (via additional welfare pay-outs, criminal justice expenditure, etc.).

**Graph 9. NEET rates across EU MS (2008-2012)**

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<sup>64</sup> Bynner, J. and Parsons, S., 2002, *Social Exclusion and the Transition from School to Work: The Case of Young People Not in Education, Employment or Training*, Journal of Vocational Behavior

<sup>65</sup> Eurofound, 2012, *Young people and NEETS in Europe: First findings*, European Foundation for the Improvement of Living and Working Conditions



Source: *EU Employment and Social Situation, Special edition: Annual Overview, September 2013 Key facts and figures, DG Employment*

In order to tackle youth unemployment, the European Commission has proposed the Youth Employment Initiative (YEI).<sup>66</sup> The most relevant initiative is the agreement by all MSs to put in place a Youth Guarantee (YG) to give every young person under the age of 25 a good-quality offer of employment, continued education, an apprenticeship or a traineeship within four months of becoming unemployed or leaving formal education.

**Caritas Europa welcomes the Youth Employment Initiative** but recalls the need to allocate sufficient resources for making it work and prevent from the risk of causing more precarious working conditions for young people. An increase in youth employment must not lead to an increase of youth poverty. In order to avoid this situation Caritas Europa suggests:

- **Addressing the causes of NEET situations**, among others, by reducing early school dropout rates, improving the quality of education systems by introducing enhanced mechanisms monitoring the performance of education and training systems, better adjustments between education, vocational training and labour market needs and providing support and opportunities in order to increase quality education for children and young people.

<sup>66</sup> European Commission, 2013, *Working together for Europe's young people. A call to action on youth unemployment. COM(2013) 447 final*

- Improving the **efficiency of apprenticeships and traineeships schemes** supported by sufficient public funds and introducing adequate monitoring and evaluation systems in order to guarantee their quality in terms of learning contents, adequacy to the labour market needs as well as working conditions and adequacy of traineeship/apprenticeship benefits paid.
- **Avoiding measures that risk deteriorating the quality of youth employment:** Legislative measures, plans and projects should avoid the risk of substituting real jobs with traineeships. The transition of young newcomers from entry jobs with short duration to more stable jobs should be supported through concrete incentives and legislation. Employments provided by YEI and other plans should guarantee adequate social protection and insurance. Self-employment and entrepreneurship should be adequately supported in order to avoid forms of exploitation.
- **Addressing adequately youth poverty** in the European Semester process: NRP ought to report on the respective measures taken towards preventing young people from becoming poor, also in the period of participating in the labour activation measures. The MS should report back, through their NRPs, on the mechanisms in place introduced in order to counteract precarious and unsecure employment among the young people. The Commission, through both, the AGS and CSR should call on the MS to implement measures aimed at ensuring quality and decent employment of young people.
- **Involving social NGOs in the implementation of the YG** and YEI: NGOS should be consulted by the MSs in the design of their respective Youth Employment Plans and engaged in its implementation through the support of measures and initiatives especially addressing NEETs that find more difficulties in accessing employment.
- Making adequate use of YEI and ESF funds : **The EU programmes which are supposed to co-finance YG implementation should ensure that the measures financed by ESF and other funds will not finance the low-quality apprenticeships and low-paid employment.** This should be done through stabilising appropriate indicators and through strict monitoring of the ESF projects' performance and through setting adequate selection criteria for the future ESF projects for young people. The European Commission is invited to address this issue during the negotiations of the contents of 2014-2020 Operational Programmes as well as to monitor it closely during the programmes' implementation.

## **Outflow of youth from their home countries**

**A large number of young Europeans are migrating due to the economic crisis,**

Financial crisis and austerity programmes, which are inevitably leading to increasing inequality in the labour market, are among the causes of youth mobility across Europe. One of the consequences of such mobility is the danger of the labour market's emptying of young people in some countries, such as in eastern and southern European countries, and the overcrowding in others.

**unemployment  
and lack of  
perspectives in  
their home  
countries**

Economic emigration of young people can have both positive and negative impacts on the host and home countries. For the host countries, mostly in western or northern Europe, young immigrants offer beyond dispute benefits. However some European countries, in the long-term, may suffer the loss of qualified workforce and the loss of competitiveness. In LT, Caritas has reported that due to emigration, the country has lost a high percentage of its young working-age population: 76% of emigrants are between 15 and 44 years.

The loss of talent is potentially devastating for all of Europe, but the situation is becoming particularly worrying in the Baltic and Mediterranean countries as well as in other Eastern European Countries such as PL, RO and BG. It is estimated that ES will lose about 500,000 of its residents over the next decade, and there are already more people who leave the country than entering it. IE, EL and PT are following the same patterns of increased youth emigration.

The growing share of temporary jobs among the new jobs offered across Europe, the fragility of the labour markets and the rising number of temporary jobs increase the risk of becoming unemployed when abroad. In many cases, this may result in temporary unemployment affecting young people who have no entitlements for the benefits. This, together with the high costs related to settling abroad (e.g. renting flats etc.), may **force young people to start undeclared work or in taking precarious jobs** due to the absence of having safety nets, such as their families.

Therefore, more **comprehensive solutions should be considered when proposing higher youth mobility**. It should not be limited to promoting better employment opportunities, but should also provide some protection arrangements, e.g. transferability of the entitlements to the unemployment benefits from the countries of origin or providing additional income support for those young people who continue working, but are at risk to become in-work poor. In line with the *Active Inclusion Recommendation*<sup>67</sup>, an income support or access to services should not only be available for those who are unemployed but also for those whose income from work does not prevent them from becoming poor, also when abroad.

### **3.2.2. Impact of budgetary cuts on the income situation and access to social services**

#### **Two steps during the crisis**

The three main functions of public intervention in the economy are (i) stabilisation: aimed at securing economic stabilisation, in particular of GDP but also of employment and price levels, (ii) distribution:

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<sup>67</sup> European Commission, 2008, *Recommendation on Active Inclusion of people excluded from the labour market*.

aimed at securing adjustments in the distribution of income and wealth and contribute to an equitable distribution of incomes (iii) resource allocation: aimed at securing adjustments in the allocation of resources and in particular the efficient use of resources. Social policies can be considered primarily linked to the allocation function and social protection especially linked to the distribution function, considered in a very broad approach covering in particular distribution of incomes over the life course, and stabilisation of the economy.<sup>68</sup>

**The positive effects of social transfers has been reduced close to zero between 2009 and 2011**

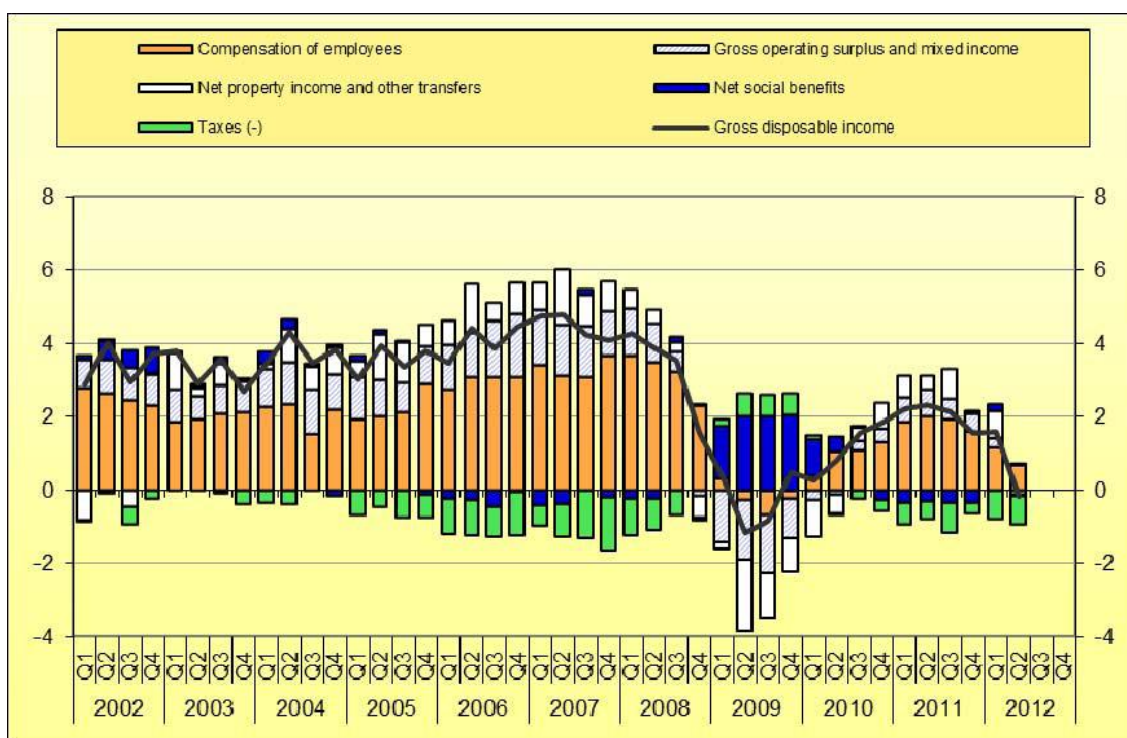
From the mid-1990s until 2007, social protection expenditures in the EU remained relatively stable. In the first phase of the crisis between 2007 and 2009, social protection expenditure grew significantly from 26.1% to 29.4% of GDP, mainly in unemployment benefits, acting as an economic stabiliser. On the contrary, in 2010 a decline started due to fiscal adjustments and to the debt accumulated by public and private actors, resulting in budget cuts.

Between 2007 and 2009, the positive effect of changes in social transfers on Gross Household Disposal Income (GHDI) was three times stronger than that of taxes on average in the EU, but between 2009 and 2011, the effects of both were close to zero. This could demonstrate that cutting or freezing the level of services in areas such as healthcare, training, housing or childcare is likely to have a long-term detrimental effect on the employability of workers and on their capacity to participate fully in society. The more fiscally resilient MS are, the better they are able to preserve such services. This tends to accentuate the large variations that already exist in the effectiveness of social protection systems across the EU.

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<sup>68</sup> Musgrave, R. A., 1959, *The Theory of Public Finance: A Study in Public Economy*; European Commission, 2013, *Social Investment Package. Commission staff working document. Evidence on Demographic and Social Trends. Social Policies' Contribution to Inclusion, Employment and the Economy. Accompanying the document. SWD(2013) 38 final. I/II.*

Graph 10: Contributions of components to the growth of nominal gross disposable income of households (Eurozone)



Source: Eurostat/ECD, DG EMPL calculations, European Commission, 2013, *Social Investment Package. COMMISSION STAFF WORKING DOCUMENT. Evidence on Demographic and Social Trends. Social Policies' Contribution to Inclusion, Employment and the Economy. Accompanying the document. SWD(2013) 38 final. II/II.*

### The policy of prioritising austerity is not working and an alternative is required

The approach of imposing austerity measures and structural reforms aimed at reducing government borrowing and the debt/GDP ratio within a short number of years is not working in economic terms. Simultaneously, it is putting the social cohesion of Europe and the very political legitimacy of the European Union at risk.<sup>69</sup>

Cuts in benefits and increases in taxes have eroded social protection since 2009 in those countries where the recession is prolonged. The Social Protection Committee considers that, as long-term unemployment is rising and unemployment benefits are running out, there is now a risk of seeing a significant decline in disposable income, especially for poor people.<sup>70</sup>

<sup>69</sup> See more in: Caritas Europa, 2013, *The impact of the European crisis. A study of the impact of the crisis and austerity on people with a special focus on Greece, Ireland, Italy, Portugal and Spain*

<sup>70</sup> European Commission, Directorate-General for Employment, Social Affairs and Inclusion, 2012, *The Social Impact of the economic crisis and ongoing fiscal consolidation: Third Report of the Social Protection Committee (2011).*



## Major impact on the poorest people

### Lower income and worsening access to services are more and more evident across Europe

The **income decrease** due to the wages and benefits reduction is particularly visible in Programme countries. Caritas PT reports that the overall austerity measures are intended at the expense cuts of 5 billion euro. This has an impact on the people's income due to the reductions in pensions and changing the rules of granting unemployment benefits. As a result, almost half a million of unemployed Portuguese do not receive any unemployment benefit while, at the same time, the minimum income benefits have been reduced. The minimum salary was also reduced in EL (by 20-30% depending on age) while the value of unemployment benefit dropped by a quarter. Social Justice IE has reported that, by the end of 2013, the total expenditure cuts in IE since 2008 will total 18.5 billion euro; this is equivalent to 5.7% of total government current expenditure in the period 2008-2013, affecting in particular social transfers to children, carers and those with a disability; 15% of the social allowances have been cut in RO according to Caritas RO. For many countries, austerity measures are leading to a contraction or lowering of quality in public services that are particularly important for people at risk of poverty or social exclusion. According to UNICEF's report on child poverty<sup>71</sup>, it is evident that front-line services for families are everywhere under strain as austerity measures increase the numbers in need while depleting the services available.

The cuts of benefits and subsidies are also observed in other countries: in LU, they are affecting pensioners while in RO and SK overall resources for social services and benefits have been reduced. In limited number of countries some measures are applied towards strengthening the income situation of households. For example in SE an increase in the earned income tax credit, a raised threshold for state income tax and lower tax for pensioners are planned for 2014.

### Worsening access to health care

In many countries, healthcare systems are under pressure to reduce costs, and access to essential health and social services has worsened during the crisis, resulting in more people facing difficulties in accessing these services. The introduction or increase of fees for medical care demonstrates the impact of these austerity measures on access to health care. For example, in the lowest income quintile in BE, 27% postpone contact with the health

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<sup>71</sup> UNICEF, 2012. *Measuring Child Poverty: New League Tables of Child Poverty in the World's Richest Countries*

system, compared to 4% in the highest quintile according to Caritas BE.

Caritas PT reports that access fees are a main obstacle for the poorest to access health care services and the poor groups of the society are trying to postpone the treatments due to a lack of resources. Increase of costs related with accessing health care services has also been reported by other Caritas organisations although it takes different forms. In CY, the fees for using emergency services, if classified as non-urgent afterwards, have been introduced while in IE an increase in the prescription charge for medical card holders is planned.

The out-of-pocket payments for healthcare services is increasing in BE while in FI the richer part of society decides to use private medical care which shows that traditionally well performing medical care systems may not be perceived as such anymore. In IT, several social services have been cut as a consequence of the reduction in social funds, while new fees on health drugs and services have been introduced. As a result of the increasing number of people who cannot either afford to pay for medical services or are not covered by medical insurance (e.g. migrants in irregular situation), an increased demand for healthcare and outpatient services organised or supported by Caritas organisations is observed in some countries, e.g. SI and IT. However, continuation of such assistance is also at risk as, for example in RO, the budgetary cuts have also affected subsidies for social pharmacies.

### **Cuts affecting provision of other services**

The limited access to health services is not only observed in relation to the poorest groups of society but has also other dimensions. Caritas LT reports that many health-care centres are being closed in the rural areas leading to growing rural/urban social discrepancies (similar observations were reported by Caritas BG and IT) while in the UK, the Government plans to introduce charges for migrants who use the primary health and hospital treatment.

Budgetary cuts are also affecting **access to other services**. In the UK, the Government intends to **limit legal aid** to those with a strong connection to the UK. This, as a result, may affect victims of human trafficking or people who have entered the UK and then experienced domestic violence.

**Increasing costs of living** are making households' and individuals' situations even more difficult. Secours Catholique (FR) reports that, between 2001 and 2011, rents paid by households supported by SC increased by 21% in social flats and by 26% in the private housing market. Within the same period in FR, the price of water increased by 38% while electricity and gas



by 48%. In LU, between 2005 and 2011, the rental costs increased by a fifth. The costs of living continue to grow in the new MS, with the income and wages not following this trend. In RO, for example, only one fifth of the population earn more than average salary.

There are some countries however where increased investment in healthcare is planned. According to Caritas SE a multiannual initiative aimed at increasing efficiency and effectiveness of health care will be financed since 2014 with an aim of supporting people suffering chronic illness as well as by financing more places in health care education and programmes for people addicted.

In some countries, pension systems are changing and more people are exposed to market risks. The Council of the European Union has highlighted how the longer-term implications of the crisis could be very serious for future pensioners as the exposure of private pension schemes to the volatility of financial markets becomes manifest. This, the Council argues, requires policy-makers and regulators to promote more prudent approaches to pension provision.<sup>72</sup>

Worsening income situations, increasing costs of living, cuts in benefits and social services lead to extreme poverty situations which force people to seek assistance at charity organisations. **Caritas organisations across the EU report increase inflow of people searching for basic assistance and help**, which shows that they are at the extreme edge of income situation and that public institutions are reaching their limits. In RO, around 60,000 people from poor families (including those where family members are employed) are assisted by Caritas. They are provided with very basic types of support, like hot meals, medical assistance, and shelter. Caritas RO is also supporting over 15,000 elderly persons with very low pensions. Care centres organised by Caritas assist around 3% of all disabled people in RO.

The growing demand for various forms of assistance is observed also in richer countries of the EU. In the UK, Caritas organisations are reporting an increase in families seeking assistance because of reductions in public services and benefits. Also, Secours Catholique in FR reports an increasing number of families supported. In terms of assistance granted, food support and covering the costs of rents continue to grow. Similar trends, showing that currently people's demands are more and more related to basic needs, are confirmed by Caritas IT: in almost 340 Caritas centres, food and clothes were the main types of support people were asking for. In LU, the number of people visiting social groceries as well as the number of homeless people supported by Caritas' wintertime campaign increased by around one third within the last two years

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<sup>72</sup> Loc. Cit. Caritas Europa, 2013, *The impact of the European crisis*.

### **3.2.3. The situation of specific groups: Roma and migrants**

#### **Roma**

Caritas MOs continue to express their concerns about the situation of Roma in the EU.<sup>73</sup> Following the European Framework for National Roma Integration Strategies,<sup>74</sup> all MS (except MT) presented their respective National Roma Integrations Strategies (NRIS) or integrated set of measures. Nevertheless, as the Commission reported in 2012<sup>75</sup>, most of the National Strategies are weak in terms of identifying specific targets, describing concrete measures and allocating sufficient economic resources. Furthermore, there are serious concerns about the effective implementation of the strategies at the local level.

**A high proportion of Roma still suffer from extreme poverty and social exclusion across the EU**

Despite the impetus given by the European institutions to Roma issues and gained relevancy in the European Agenda across Europe, real progress in improving the living conditions and opportunities for Roma remains limited. In fact, the Roma population, constituting the largest ethnic minority in Europe (between 10 and 12 million citizens), have a high proportion suffering from extreme poverty and social exclusion. The Roma are the most marginalised ethnic group, facing deep social problems related to low educational levels, high unemployment, inadequate housing, poor health and wide-ranging discrimination, all of which are interrelated and create a vicious circle of social exclusion. MOs have reported that this situation is worsening due to the current economic crisis and the growth of racist discourses and extremists groups.

**There are many similar trends demonstrating the situation of the Roma across Europe. The following country-specific observations collected by Caritas organisations can be identified:**

**Poor living conditions**

In BG, about 55.4% of Roma live in urban areas, mainly in neighbourhoods which have all the characteristics of ghettos, poor social and technical infrastructure, lack of sewage systems and no proper main water supply. In RO, half of Roma houses have no internal bathroom utilities.

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<sup>73</sup> This report uses the general term “Roma” to refer to a number of different groups (Roma, Sinti, Kale, Romanichels, Boyash, Ashkali, Egyptians, Yenish, Travellers, Dom, Lom, etc.) identified as such by the Council of Europe, by representatives of the aforementioned Roma groups in Europe and various international organisations (OSCE-ODIHR, European Commission, UNHCR and others).  
Council of Europe, 2010, *Defending Roma Human Rights in Europe*.

<sup>74</sup> European Commission, 2011, *An EU Framework for National Roma Integration Strategies up to 2020*  
*COM(2011) 173 final*

<sup>75</sup> European Commission, 2012, *National Roma Integration Strategies: a first step in the implementation of the EU Framework* COM(2012) 226 final

**Low enrolment of Roma children in schools and their segregation**

Facilitating access to primary school, continuity in secondary education and avoiding early drop out is of utmost importance. In BG, almost 50% of the Roma are attending "Roma" schools (predominantly Roma), which creates conditions of increasing segregation; only 13% of the Roma reach secondary education. In IT, more than a third has no education, around a quarter has primary education and a third completed middle school. Illiteracy is more prevalent among women (25%), compared to men (14%). In LT, Roma have no financial means to buy school supplies, clothes or to fulfil other daily needs of their children. In RO, 25% of Roma adults have no education, they cannot read and they have extremely low chances to get employed.

**Low employment rate**

The unemployment rate of the Roma in BG is 40.8%. In IT, Roma have very high unemployment rates both among men (50%) and among women (80%). In LT, the majority of their activities are in the informal economy. In RO, from 2008 to 2009 only 10% of the Roma people had worked legally, whereas the rest claims that they worked with no official contract

**Low access to health care and social security**

In DE, recently migrated Roma often have no access to social security systems and if they work they tend to work in low-paid jobs

**Situation of Roma migrants**

In FR, around 20,000 Roma migrants, including 40% of children, live in slums in the outskirts of cities, usually in poor and unsanitary conditions, suffering pressure of evacuations without the right to accommodation and without opportunities of education and employment due to transition regulations.

**Basic rights and non-discrimination**

In IT, Roma are among the most discriminated group. In BG, the situation is getting worse with a growing number of violent acts being perpetrated against this group.

**The Council should endorse the Recommendation proposed by the Commission<sup>76</sup> on effective Roma integration measures and should monitor its effective implementation that would require better use of the EU instruments (EU directives, policies and funds) and an effective implementation of NRIS, by developing targeted measures in the areas of employment, education, health care, housing and adequate inclusion of the Roma in the mainstream policies.**

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<sup>76</sup> European Commission, 2013, *Proposal for a Council Recommendation on effective Roma integration measures in the MSs*

## **Impact of the crisis and policies on the migrants' situation**

The negative impact of the global economic crisis on employment is affecting migrants (along with other vulnerable groups) disproportionately as migrant families are particularly visible in poverty statistics and their income levels tend to remain low. In *Caritas Europa Shadow Report 2012*, it was reported that the crisis has fuelled a growth in pre-existing xenophobic attitudes and discourses, chastising immigrants for being disproportionately dependent on welfare states and legitimising the imposition of increasingly restrictive social policies and benefits towards immigrants.

### **Exploitation, abuse, discrimination, and social exclusion of migrants in irregular and regular situations**

Governments and the EU are making an effort to rationalise and control migration flows. However, although border and internal control have experienced an impressive increase in both financial and human resources in recent years, irregular migration occurs in every European country. More restrictive immigration policies applied in the last years and growing downturn in the sectors traditionally employing migrant workers (e.g. construction) are resulting in losing residence permits, which leads to exposing a greater proportion of immigrants systems into irregular situations.

A growing number of people with irregular status (estimations suggest that between 1.9 and 3.8 million immigrants reside irregularly in the EU) generally increases the risk of growing labour exploitation of migrants, both in regular and irregular situations; they are often paid less than the usual wages in the sector and work in conditions breaching minimum labour standards.

The economy might often profit from migration, since most of migrants are working in sectors European citizens are not interested to work in, especially as flexible workforce. On the other hand, the existing employment projections show that labour market shortages in the EU could be partly compensated by international labour mobility.

### **Poverty among migrants is observed across Europe**

Migrants continue to be more exposed to poverty or social exclusion than EU nationals. In FR, around one third of those affected by poverty are migrants which correspond to 450,000 households. According to Secours Catholique (Caritas FR) the average costs of living for migrants' households assisted by this organisation were almost two times lower than of people of French households. Many migrants supported by SC in FR have no access to the labour market or social benefits due to their undocumented status or lack of work permits. A similar trend is visible in IT where the income of migrant family is 50% lower than in the average Italian households. While migrants in IT have less problems on the labour market than Italians (their employment rates are higher) they are more frequently experiencing in-

work poverty what, according to Caritas IT, shows that they are not only more frequently employed in the low-paid sectors, but also that their salaries are not corresponding to those offered to Italians for the same jobs. In the current crisis period, many migrants in IT are facing uncertainty due to the fact that residence/work permits are withdrawn once the migrant becomes unemployed.

In some cases, higher poverty rates are affecting both EU residents living for a long time after moving to another country and newly arriving migrants. In LU, the at-risk-of poverty rate for Portuguese is 3 times higher than for LU nationals. The discrepancies are even higher when it comes to in-work poverty (18.7% against 4.9% respectively). In MT, which is experiencing a high inflow of refugees and migrants (on average almost 2,000 annually in recent years), trafficking and other criminal actions affecting the migrant population are noted according to local Caritas.

**Many refugees  
are seeking help  
in EU countries  
which calls for  
concrete actions**

Temporary employment, in which migrant workers are over-represented (19% compared to 13% on average of native workers) , partly explains the higher average rise in unemployment rates among immigrants as well as their vulnerability. Moreover, as already mentioned, in some countries the loss of work permits of established migrants puts them in an irregular situation where they lose important rights. This leads to putting them in the irregular situations, not only in terms of their status but also employment. In effect, it can easily lead to undeclared working and labour exploitation. Therefore, as a result of the withdrawal of working permits, migrants start facing social marginalisation and discriminatory attitudes.

In Caritas SE opinion one of the biggest challenges for SE is how to improve the employment situation for newly arrived refugees particularly from Syria and Somalia. The number of refugees is increasing in SE with low skills and language capacity. The new reform has been implemented for the last 2 years. It includes the introduction of a state individual benefit (“the introduction benefit”), strengthening the incentives for both women and men to participate and to work while also taking part in introduction activities. The target group is growing with Syrian conflict, meaning that SE is experiencing an inflow of refugees and family reunification migration. In the Budget Bill for 2014, the Government proposed measures aimed at facilitating the introduction of newly arrived immigrants, more hours of Swedish

instruction for newly arrived pupils in years 1-5, better opportunities for supplementary courses for immigrants with tertiary qualifications and the introduction of new start zones. In RO, which has not been a popular destination for migrants so far, the number of asylum seekers increased by 4.5 times in comparison to 2012; there is a big risk that they may face social exclusion since the national services have no capacities to help the refugees.

**In order to counteract growing poverty and social exclusion among migrants their integration should be mainstreamed<sup>77</sup> into policies and specific measures should be undertaken.**

Mainstreaming takes place when specific groups in society (are provided for within broad policies which address the needs of such specific groups as part of an integrated approach). In case of migrants, the focus of such policies should be on:

1. Facilitating the participation of all groups within society through ensuring **access to the health system, housing and social benefits as fundamental rights**

The introduction of programmes for newcomers and their families and the promotion of social integration at schools would be highly beneficial. These programmes could combine language courses, vocational training, civic education and basic information in the receiving country. Examples of such programmes have been working in several EU countries but due to budgetary restriction they have diminished or have been cut.

Basic rights must be ensured for migrants in an irregular situation<sup>78</sup>, such as urgent medical care, education for minors and counselling. Persons having applied to stay should not be kept in an administrative limbo. Permits should be issued, at least temporarily, opening access to labour market and health care.

2. Enhancing the role of **education** systems in the integration of migrants

Migrants should be offered support to ensure equal opportunities in education and participation as well as preparing for successful integration in the labour market. They might particularly be in need of accompaniment and support in finding their identity between the cultural diversities/background of their own family and the receiving society. Educational system should be provided with sufficient and appropriate resources as well as learning materials designed to facilitate the education of children with particular needs, including children living in an irregular situation. Moreover, the following elements should be reflected in adult education: language tuition, literacy courses, courses geared towards vocational training/career development, socio-cultural orientation.

3. Developing policies towards ensuring labour market integration of migrants MS and the EC should develop a more proactive open labour migration policy, aiming at addressing current and future challenges on EU labour markets and should avoid taking measures that increases irregular migration, especially when removing work permits. In light of a growing share of skilled-jobs to be created, the recognition of qualifications is essential for improving employment conditions and avoiding underemployment of migrants. Supporting educational programmes and the recognition of official qualifications based on acquired competencies should be on the EU agenda as well as the effective implementation of antidiscrimination

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<sup>77</sup> Caritas Europa, 2010, *A reflection on the dynamics between Migration and Development*.

<sup>78</sup> Caritas Europa, 2012, *Fundamental rights apply to migrants in irregular situation*.



legislation. Vocational training programmes and other active labour market measures should be available for migrants in irregular situations.

## **4. Employment**

### **4.1. Overall situation**

#### **The current deterioration of labour market is expected to continue**

Joblessness has increased steadily over the past two years, reaching 12% in the Euro area and 11% in the EU, ranking between less than 5% in AT and 27% in ES and EL. In July 2013, there were 26.6 million people unemployed in the EU-28, a rise of 1 million within one year.<sup>79</sup> Available data suggest a further deterioration of the labour-market situation in the near term, given the usually lagged response of employment to GDP. There are no positive employment prospects, quite the contrary, a deterioration of the labour market is expected.

The very high levels of unemployment in some MSs are turning into structural unemployment, which could jeopardise social cohesion. The share of the long-term unemployed (persons being out of work for more than 12 months) has been constantly rising in the EU since mid-2009 and climbed up to 4.7). In addition, unemployment among youth is permanently increasing.

As a reaction to these trends, the European Commission highlights that *the labour market situation and social situation call for an urgent response and stresses that active labour market policies, reinforcing and improving public employment services, simplifying employment legislation and making sure that wage developments support job creation are essential elements*. Furthermore, it points out that the situation of young people requires particular attention.<sup>80</sup>

#### **There is an increasing polarisation between countries in Europe**

Employment rates in 2012 have decreased by 0.2% compared to 2011 and it is important to notice that this decrease has especially affected the countries under EU financial assistance, which are more severely affected by the fiscal consolidation and the impact of the crisis. While some countries have reached or are at the point of reaching their respective National targets for 2020 (AT, DE, LU, MT, NL, SE) the previews for most countries are far from this challenge; for instance the distance for some countries is five percentage points or more (BL, BG, CY, EE, EL, ES, FI, FR, HU, IE, IT, LV, PL, PT, RO, SI, SK). It is important to notice that, in 2012, differences in employment rates reached 24 p.p., with EL having the lowest (55.3%) and SE the highest

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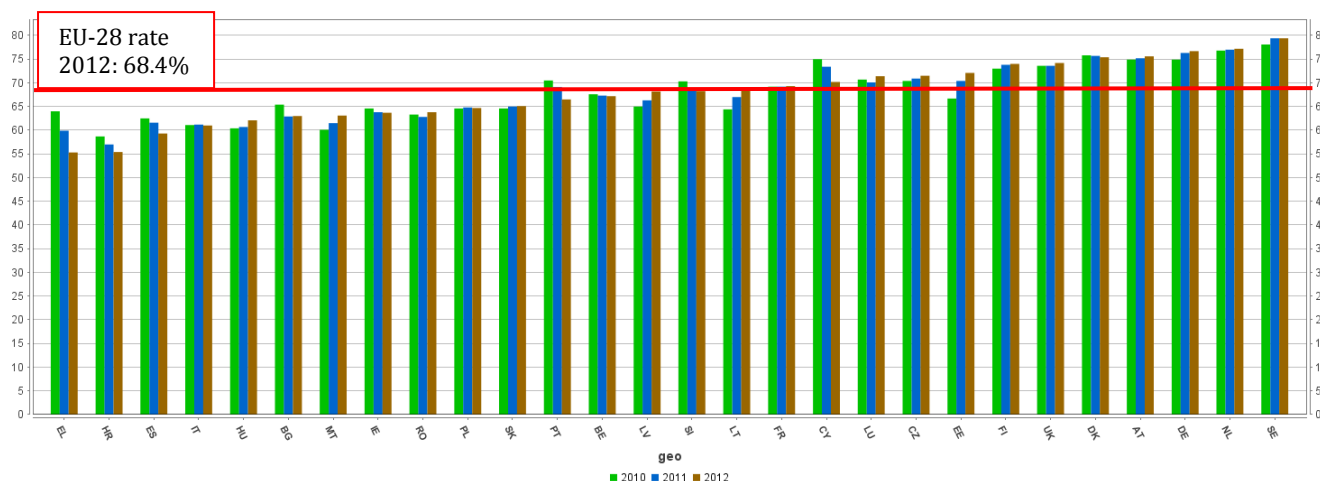
<sup>79</sup> Eurostat, July 2013, *Unemployment statistics*.

<sup>80</sup> *Loc. Cit.* European Commission, 2012, *Annual Growth Survey 2013*



(79.4%) employment rates.

Graph 11. Employment rate in the EU, age group 20-64, 2010-2012 (%)



Source: Eurostat

## 4.2. In-work poverty and labour market segmentation

### In-work poverty and social polarisation is on the rise in the EU

In-work poverty significantly increased in one out of three MS between 2006 and 2010, not only in countries with poor economies but also MS with more resilient economies and labour markets. Working poor represented one third of the working age adults at risk of poverty in 2011; in 2010, 8.4% of the people in employment were living under the poverty threshold and the risk was significantly higher for families with dependent children (10.7%). In-work poverty rose among women, but remains higher for men.<sup>81</sup>

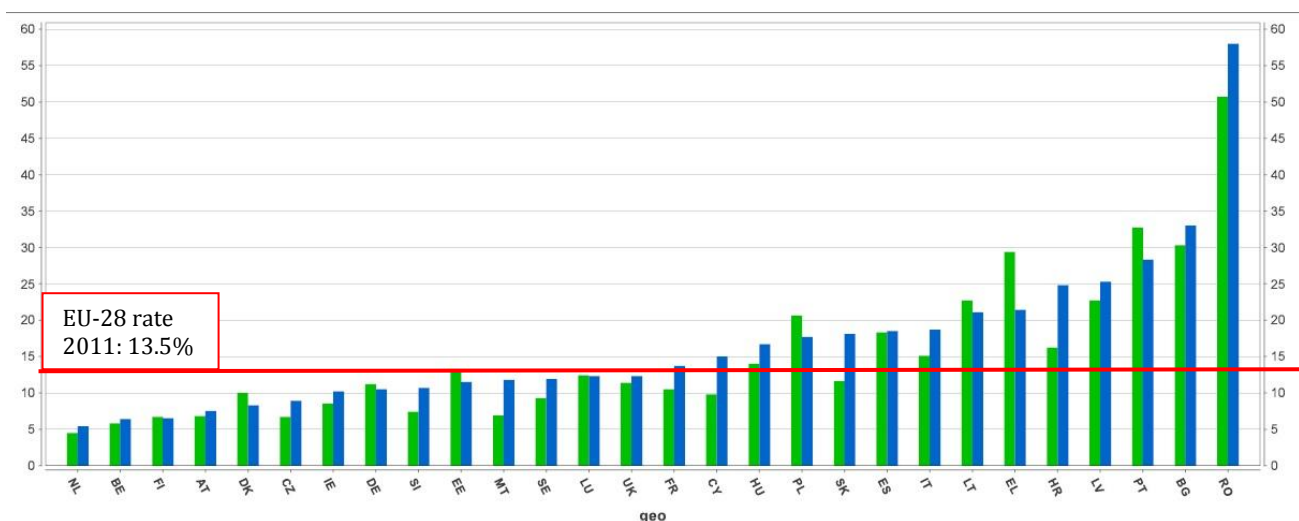
In-work poverty is highly related to factors such as the duration and the type of contracts. Temporary contracts increase the odds of in-work poverty; this is also the case when working part-time, especially for young people.<sup>82</sup>

Education has a significant influence on in-work poverty; people with low education bear a substantially higher risk of in-work poverty; they usually lack opportunities to obtain a permanent or full-time job and when obtaining it, in many cases it is temporary or part-time work. According to Eurostat, in 2012, 13.5% of low-skilled employees held a temporary contract and almost 80% of them could not find a permanent job, while one in five low-skilled employees worked part-time, including a third who wanted but could not find a full-time job.

<sup>81</sup> European Commission, 2012, *Annex Macro-Economic Report to the Communication from the Commission. Annual Growth Survey 2013*

<sup>82</sup> European Commission, 2013, *Employment and social developments in Europe 2012*

Graph 12. In-work part-time poverty rate in the EU (%)



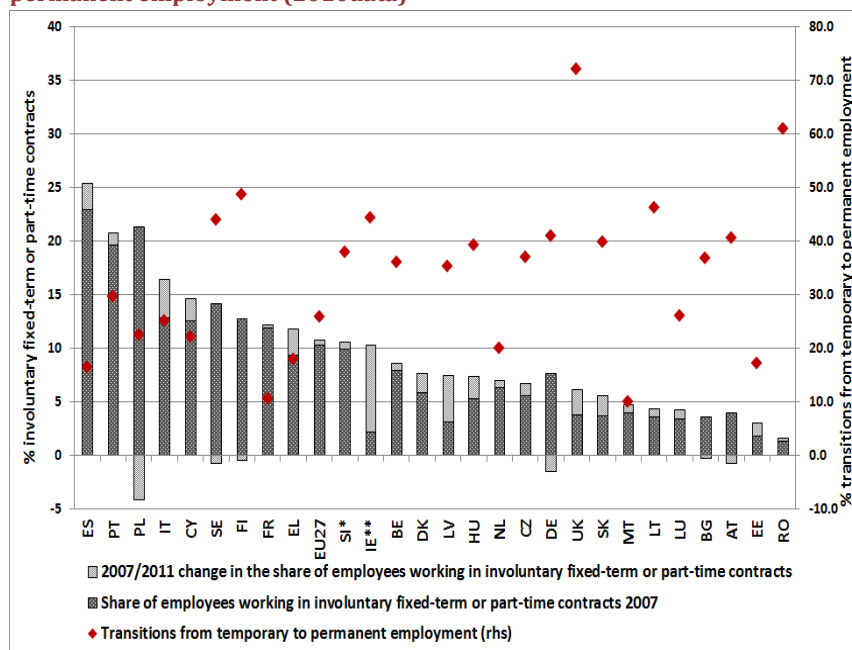
Source: Eurostat, EU-SILC

### Labour market segmentation has continued to rise

Temporary contracts and part-time work is expanding. Between 2007 and 2011, the share of employees working in involuntary fixed-term or part time jobs increased in 21 out of 27 MSs. Segmentation tends to increase in all EU but is most frequent in Mediterranean countries and PL.<sup>83</sup> Labour market segmentation is related to the situation and tradition of the labour market in the different countries and influenced by the asymmetric employment protection legislation between permanent jobs and fixed term/temporary ones.

<sup>83</sup> European Commission, 2012, *Annex Draft Joint Employment Report to the Communication from the Commission. Annual Growth Survey 2013*

Graph 33. Share of employees working in involuntary fixed-term or part-time contracts (in 2007 and 2011) and transitions from temporary to permanent employment (2010 data)



Source: Eurostat, LFS and SILC

Short description: \*Data for SI refers to 2011; \*\*IE data are only available for 2007.

**Adjusting education and vocational training with labour market demand is important but is not enough**

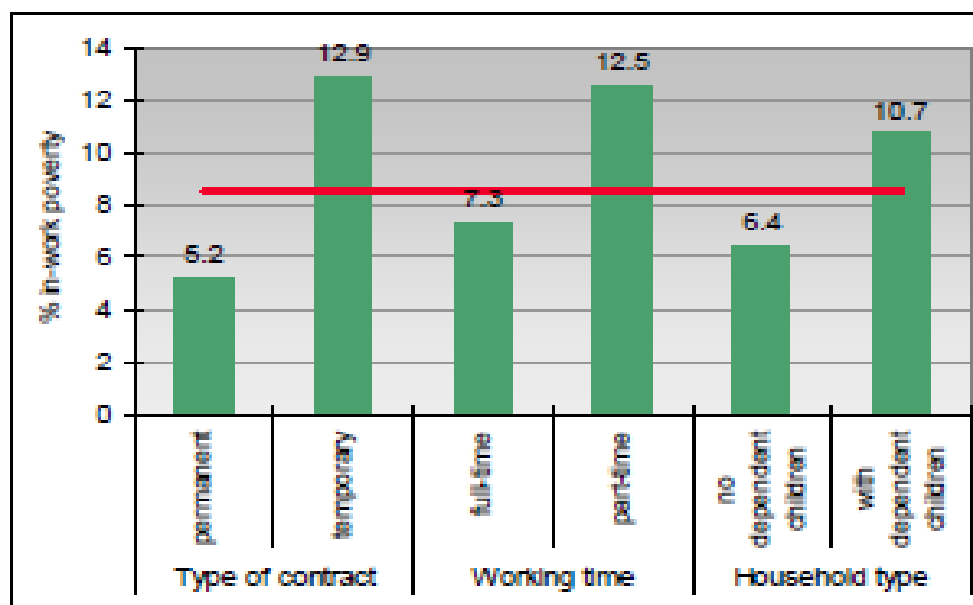
The Annual Growth Survey 2013 has highlighted the need to make the provision of education and training more transparent and efficient, in order to achieve a better match between skills and available jobs and to reinforce synergies between the different training providers. In fact, skills mismatches and bottlenecks in many regions and sectors illustrate the inadequacy of education and training systems.

Without denying the need to better adjust education and vocational training with labour market demand and tackling labour market segmentation efficiently would require more complex actions.

**In-work poverty: causes, affected groups and necessary policies**

Having a job is becoming less and less sufficient to prevent from poverty. In 2011, 18% of households supported by Caritas FR were not experiencing any joblessness, while their income was 300 EUR lower than the official poverty line. There are many factors that contribute to in-work poverty. Caritas organisations report that, according to their own analysis and national statistics, in-work poverty is frequently linked to having a part-time job or temporary contract (IT, RO, FR, DE), or low education (RO, LT, LU, DE). In most countries, in-work poverty is concentrated amongst youth, vulnerable groups, vulnerable families, migrants, and minorities (CY, FR, IT, LT). Addressing this problem is multidimensional and therefore requires a combination of labour market measures (passive and active) together with the support from social policies aimed at counterbalancing inequalities.

**Graph 14: in-work poverty by type of contracts, work intensity and household composition**



Source: ESDE 2011

Social Europe

Source: EU Employment and Social Situation, Special edition: Annual Overview, September 2013 Key facts and figures, DG Employment

**Self-employed more and more affected by poverty**

Several Caritas organisations have reported that in-work poverty is rising amongst self-employed workers and owners of small-scaled businesses, mainly precarious business (FR, BE, LT, RO). In fact, it has been stressed that the number of people forced to self-employment is rising due to a lack of other opportunities or employers' attempts to avoid signing traditional employment contract (PL). In-work poverty is also increasing among people

working in the small firms: in DE almost 48% of people working in companies employing up to 10 people have low wages. Moreover, in some countries, many people are additionally punished once they decide to close down their business or get bankrupted. In BE, when closing a businesses, several administrative payments must be made which are making the ex-entrepreneurs” situation even worse.

### **Wages and their irregularities**

Minimum wage in many countries is very small. In BG, the rate of employees who had earned minimum monthly wage (290 EUR or 238 EUR after taxes) in October 2012 was 18.5 %, while in LT minimum monthly net wage is 238 euro. In some countries, differences between minimum wages and unemployment subsidies remain problematic. Taxation on labour makes salaries too high for entrepreneurs, which leads to attempts for their decrease (BE).

Wage inequalities are also observed in DE where around ¼ of all workers have wages below 9.5 EUR per hour. Caritas DE reported that the wage inequality in DE has risen since the 1990s; over 11% of people with low wages work less than 12 hours per week in so-called mini-jobs, with little insurance; 24.1% of all employed had such low wages, 62.9% of them are women. People with low formal education often have a low wage (44%). 36.4% of people under 30 have a low wage and 29.9% of people are of foreign nationality. 48% of people working in a small firm (up to 10 employees) have a low wage. In PT, it is now very common that new jobs offer the salary of less than 310 EUR per month. The minimum wage in the UK is insufficient to alleviate in-work poverty because of the high cost of living, particularly housing and travel costs to work. In the UK, the Low Pay Commission (LPC) recommended in 2013 that the hourly rates for the national minimum wage (NMW) should increase. Some positive examples are implemented when applying the solution of paying the living wage as opposed to the minimum wage; for instance current London living wage is £8.55 per hour as opposed to £6.31 for the minimum wage.

There is an alarming decrease of salaries in many countries, especially among less qualified people, which are normally part-time workers.

### **Growing part-time and temporary employment are affecting negatively the income situation**

In-work poverty is, in most cases, linked with temporary or part-time contracts. Caritas organisations report on the alarming correlation between poverty and the type of contract as well as on the sharp increase of temporary/part-time jobs’ share in total number of jobs, especially of those addressing youth. Caritas PL informs that PL has the highest share of temporary workers (over 25% ) and one of the highest share of self-

**of employed and  
their future  
perspectives**

employed in Europe. Some analysis for PL show<sup>84</sup> that among those possessing permanent work contracts the at-risk-of poverty rate is 6% while it doubles among those with temporary jobs and reaches over 26% in case of those employed on the basis of civil law contracts. According to national statistics mentioned by Caritas IT, in 2012, more than one third of the working population in IT below 30 years old had fixed-term contracts. As a result, almost 45% of the working population that was born in the eighties are employed through atypical forms of employment (temporary, part time, etc.) while, in the case of those born in the seventies and sixties, the figures are significantly lower (around 30%). This demonstrates that atypical forms of employment have exploded in recent years, affecting mainly young people. According to Caritas DE, over 11% of people with low wages in DE work less than 12 hours per week in so-called mini-jobs, with little insurance.

Part or fixed-time employment has a direct impact on the income situation of a household. According to Secours Catholique (Caritas FR) data, around 30.1% of all working adults supported by this organisation had part-time jobs, while 14% were interims or having seasonal jobs and over 8% had full-time temporary jobs. The organisation has also noted an inflow of poor entrepreneurs, which was not observed a decade ago. Precariousness is not only creating poverty but it also has an impact on career paths: Caritas IT noted that among those who entered the labour market with an atypical contract, 29.3% are still in a precarious situation ten years after their first job. Under-unemployment has been reported to be widely spread and, in many cases, related to a decrease of full-time employment. Social Justice Ireland has reported that in IE, the situation of 113,000 individuals experiencing 'in-work poverty' could be improved by making tax credits refundable.<sup>85</sup>

**Lack of  
employment  
opportunities  
for early drop-  
out students**

Low level education and school drop-out from elementary school has been reported by Caritas MOs as a crucial element for employment conditions. Caritas HR has reported that, whereas 42.6% of the unemployed with faculty or academy qualifications in HR found a job after waiting for up to 6 months, it was only 15.7% for people without school qualifications and with uncompleted primary school.

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<sup>84</sup> Wiesława Kozek, Marianna Zieleńska, Julia Kubisa: National report: Poland  
Institute of Sociology, University of Warsaw FP7 project *Combating Poverty in Europe: Re-organising Active Inclusion through Participatory and Integrated Modes of Multilevel Governance*

<sup>85</sup> Social Justice Ireland Policy Research Series, 2010, *The Working Poor and the Cost of Refundable Tax Credits Building a Fairer Tax System*

**Growing employment flexibility at the expense of workers' security**

In IT, flexibility policies have led to new kinds of open-ended contracts consisting of precarious jobs that do not foresee social protection nor entitles to receiving pensions in the future or only entitles to very low level pensions (although this might change with the Former labour market Reform). In DE, mini-jobs do not guarantee unemployment insurance or a pension. In general, it seems that the national policies are rather focusing on creating any kind of jobs while not assessing the risk they may follow in terms of social protection of the employees and their future pensions' adequacies (BE, DE, LT). In some countries, like PL, many workers are under pressure to dissolve traditional employment contracts and to start working in their formers companies as sub-contracted entrepreneurs.

**Increasing territorial disparities**

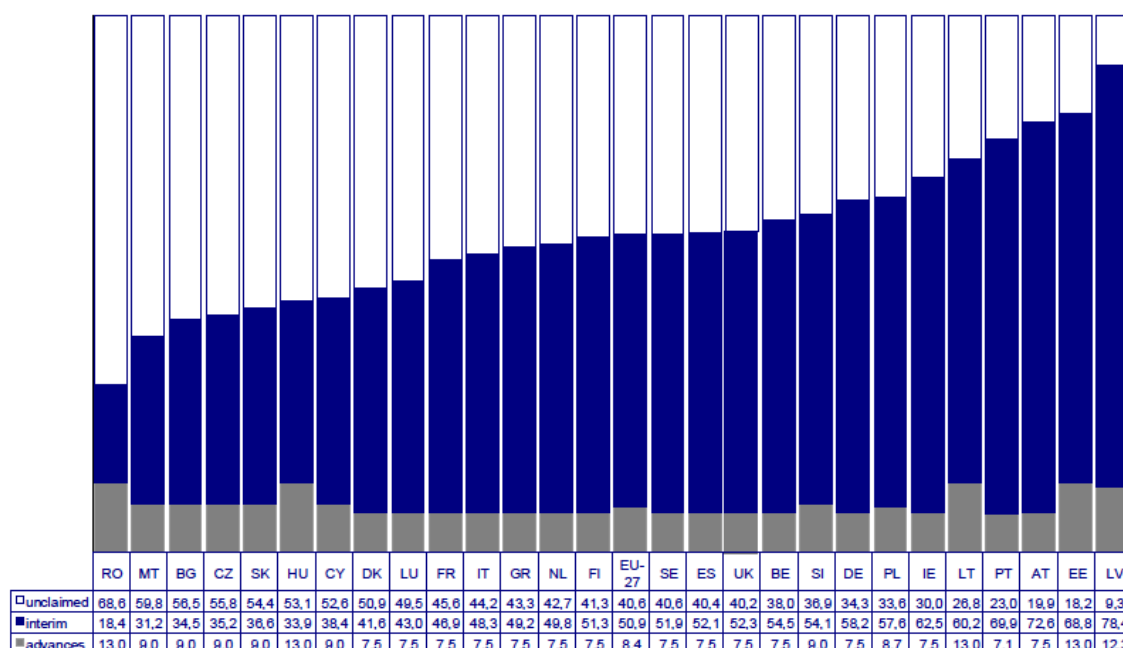
In some countries, there are important differences between urban and rural areas. In RO, Caritas has reported that only 8.1% of workers from the urban areas had no employment contract or labour agreement, against 64.1% in the rural area; approximately 80% of employed people without a formal contract or agreement are working in the agriculture field.

## **5. The use of EU Funding in fighting poverty and social exclusion**

**In majority of the MS the level of expenditure is less than 60% of what was allocated initially**

According to latest information (June 2013), 21 MS have received less than 60% of the total allocation of EU Funds 2007-2013, meaning that the level of expenditure is very low. Moreover, in 9 MS, payments represent less than 50% of what was allocated initially. It is worth highlighting that countries with higher rates of unemployment and social exclusion are among those with a lower expenditure level.

Graph 15. ESF 2007-2013: Advances, interim payments and unclaimed funds per Member (31/07/2013)



Source: European Commission, European Social Fund

URL: <http://ec.europa.eu/esf/BlobServlet?docId=249&langId=en>

### Access to ESF remain difficult for many social NGOs

In opinion of Caritas organisations, applying for ESF and implementing projects financed by this fund requires a significant institutional capacities (LT, RO, BG, DE, IT, LU, SI) that, in the majority of cases, make access to the ESF very difficult for the NGO sector. Also, financial requirements in form of advancing payments (e.g. a minimum of 50% in BG), providing own co-financing (LU) or establishing guarantees from the NGOs' own resources (10% in the case of not completing the project in CY) are also difficult for the NGOs. Delays in payments (FR) force NGOs to use their own funds in order to keep projects running.

The problems are not over, once the NGOs are eventually granted with the funding. Many Caritas organisations reported about heavy and time-consuming reporting requirements and the need of fulfilling the obligation to produce supporting documents (DE, RO, SK, FR, LT, and SI). Also the mechanisms of projects' control are not simple and clear. Lack of staff capacities was reported as one of the reasons of not applying for the ESF or not succeeding in this process. In effect, given the competition of the private sector, the NGOs' applications for funds are often not selected and most projects are implemented either by private companies, employers organisations or public institutions (LU, BE, IT, RO). In some countries like PL specific "NGO enterprises" have emerged that are capable to meet all formalities and acquiring large projects but are often alienated from the real demands of people supported while focusing more on meeting the targets



defined in the form of projects' indicators.<sup>86</sup>

Lack of sufficient training and consultancy for civil society sector is also listed among the obstacles (e.g. RO).

Formal requirements concerning the project promoters' eligibility and the focus of ESF programmes are also among the obstacles for successfully applying for the ESF according to caritas organisations. In BG, many of the projects are aimed at increasing capacities of the public institutions while in RO, eligibility criteria make NGOs' response to some calls for projects impossible.

**ESF role in fighting poverty is visible and increasing**

Caritas organisations report that the ESF role in promoting social inclusion is more and more visible in some countries. For instance, in CY, all governmental projects aimed at combating poverty are co-funded by the ESF, in particular through the *CY Operational Programme Employment, Human Capital and Social Cohesion 2007-2013*. In IT, funds have been allocated to help several groups: young people, women, disabled, non-self-sufficient, poor people; during the crisis a big amount of ESF funds have been used to pay CIG (Wage Guarantee Fund). In FR, ESF projects are quite varied and support a number of vulnerable groups (people with disabilities, young people, elderly, Roma, migrants etc.). In MT, the ESF is helping older people and disabled job-seekers with training and work placements. The ESF plays significant role in fighting poverty in PL, according to Caritas PL. In many cases assistance to vulnerable groups is supported by the ESF. In some countries experiencing ESF under-spending, the strong focus on speeding the process of fund's spending may result in a lower focus on the projects' outcomes while in other MS the tendency of granting projects with lower budgets at the expense of their qualities is observed by Caritas organisations.

**Some worrying trends are nevertheless observed**

Some Caritas organisations have observed the risk of "creaming", i.e. when projects mainly support those groups that can be easily placed on the labour market (e.g. LT). In other countries, people at risk of social exclusion are not considered as the principal group of beneficiaries, either as a result of strategic decisions (e.g. in FR or LT, where the current priority for ESF spending is the youth employment, which may result in leaving behind other excluded groups) or due to formal arrangements linked with national co-financing of ESF (e.g. in LU, national co-financing goes exclusively to the

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<sup>86</sup> Jadwiga Przewłocka, Piotr Adamiak Aleksandra Zając, *Życie codzienne organizacji pozarządowych w Polsce*, Warszawa, 2012

Employment Fund so that the beneficiaries must be registered as unemployment, which is not always the case for all socially excluded).

**Updating  
planning and  
reallocating  
funds have been  
a priority for  
some MS**

IE's 2013 NRP update makes references to the ESF in relation to the labour market, education and training, mentioning measures to provide education and training for up to 6,500 individuals who are long-term unemployed, including young people. In IT, three re-planning phases were carried out (12.1 billion euro) with a special focus on youth, improving the quality and increasing the number of childcare services and non-self-sufficient elderly, as well as measures to reduce the effects of the negative economic cycle on enterprises and on people (tax deduction for SMEs in difficulty, for hiring disadvantaged persons, active policy measures for additional income support and measures for helping poor people).

**Improving the future programming period**

**Ensuring high  
share of ESF  
in cohesion  
policy and  
earmarking  
funds for  
social  
inclusion**

In previous shadow reports, Caritas Europa stated that Structural Funds (SF) are key mechanisms through which Europe 2020 targets can be achieved by increasing its effectiveness and positive impact. Caritas Europa believes that MS should use SF as key instruments for implementing the social dimension of the Europe 2020 Strategy and for undertaking the social systems reform, proposed in the SIP, with the aim of attaining the headline target of reducing poverty and social exclusion.

The draft legislative package and the proposed Regulation covering all EU structural instruments includes priorities and eligible actions, as well as appropriate mechanisms that MS can use to tackle problems related with poverty and social exclusion. Although 16% (i.e. 12 billion euro) of the ESF envelope available for the period 2007-2013 has been allocated to measures supporting social inclusion<sup>87</sup>, the overall share of EU resources allocated by the MS on employment, human capital, health and social policies has decreased since 1989<sup>88</sup>. The current social and employment conditions in Europe are fully justifying the contrary approach which should lead to increased spending for socials and employment policies, in particular for helping people in most disadvantage situations or at-risk of poverty. Therefore, the provisions on (i) setting a minimum overall share of 25% of SF funds for the ESF and (ii) the earmarking of at least 20% of the ESF for combating poverty and promoting social inclusion in the future EU funding legislation should be preserved in the EU legislation.

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<sup>87</sup> European Commission, 2013, *Social Investment Package Commission staff working document, Social investment through the European Social Fund, SWD(2013) 44 final*

<sup>88</sup> European Commission, 2013, *Social Investment Package*, p.16

**Implementing  
SIP proposals as  
regards to the  
Structural Funds**

Caritas Europa welcomes SIP commitments on using the ESF and ERDF for (i) implementing Active Inclusion Recommendations, (ii) supporting social policy innovation in implementing the CSR, (iii) promoting children's access to health, education and care services as well as on allocating adequate resources from EU Funds to employment, social inclusion, reducing inequalities and accessibility of social, education and health services. Moreover, the SIP's call for implementing coordinated actions with the use of EU Funds to address multiple needs of disadvantaged groups – including the poor – is also highly appreciated.

**Caritas Europa believes there is room for improvement in the way SF are used to combat poverty and social exclusion**

The European Commission should ensure a coherent approach in addressing the issues related with poverty reduction and social inclusion during the negotiations of the Partnership Agreements and the Operational Programmes (OPs) for the period 2014-2020. Causes and factors leading to poverty among children, families, youth and the working population, as well as among the Roma and migrants should be tackled with the use of EU Funds.

Therefore, in order to adequately tackle the existing challenges related with poverty and social exclusion which are spreading across Europe and affecting more and more specific groups, the ESF Thematic Objective number 9, namely “promoting social inclusion and combating poverty”, should be reflected in future ESF OPs with a minimum allocation of 20% from the ESF to be allocated to this Objective.

Among the investment priorities of the above Objective, the following should be especially considered when planning the Operational Programmes: (i) Active inclusion; (ii) Integration of marginalised communities such as the Roma; (iii) Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest; (v) Promoting the social economy and social enterprises;

The ERDF should make a substantial contribution to social inclusion by complementing the investment priorities of the ESF through multi-fund programmes or through complementary actions. ERDF contributions should be focused on (i) investing in health and social infrastructure, (ii) support for physical and economic regeneration of deprived urban and rural communities; (iii) support for social enterprises.

The use of EU Funds towards implementing CSRs on poverty and social inclusion as well as all relevant SIP priorities should be adequately monitored through both the EU Funds monitoring process and the European Semester. The Commission services should ensure the consistency between the CSR and specific provisions of the ESF programmes in order to ensure that poverty and social exclusion challenges identified in the CSR is adequately addressed through the ESF OPs. Moreover, the efficiency of ESF spending should be regularly monitored in order to allow adjusting the projects and

programmes to the new challenges. The NRPs should report back on the ESF expenditures allocated to implementing the CSR and SIP.

MS should by all means simplify the process of implementation of EU funds, notably through simplified operations and other forms foreseen in the draft regulations. The Civil Society organisations should be recognised as reliable partners in the planning process (at the stage of preparation of the Partnership Agreements and Operational Programmes) and in the implementing of the EU Funds targeted at helping vulnerable groups. Their engagements in partnership projects as well as defining specific budgets for the projects implemented by NGOs should be considered.

## **6. The impact of the European Semester on poverty and social exclusion**

### **Opinion on the Annual Growth Survey 2013**

#### **AGS focuses on measures to foster economic growth**

The adoption of the Europe 2020 Strategy in 2010 and the European Semester process highlighted poverty in the EU agenda. Not only did it include a specific target to reduce at least 20 million fewer people in or at risk of poverty and social exclusion by 2020 but it also included an important flagship initiative, the *European Platform Against Poverty* to encourage inclusive growth. However, in the past three years the *Annual Growth Survey*, which sets the priorities for action at the national and EU level, has put the focus on economic growth based on fiscal consolidation and supporting competitiveness, with some references to employment growth without paying enough attention to the impact of these measures on poverty and social exclusion.

In its third edition, the AGS does not change the five priorities set in 2012. Although its fourth priority focuses on *tackling unemployment and the social consequences of the crisis*, it is *mainly* dedicated to create conditions for job recovery, but it seems to limit such conditions to the flexible working-time arrangements, reducing tax burden on labour and conditioning unemployment benefits granting.

Furthermore, the sub-priority on tackling poverty is even shorter than in last year's AGS and proposes only two types of actions while e.g. five actions are foreseen under the Priority dedicated to Public Administration.

#### **... with very little commitment to fighting poverty and social exclusion**

Although it is positive that for the first time the AGS 2013 calls MS to (i) prevent child-poverty, (ii) review the tax schemes that increase the debt bias of households (iii) provide quality and affordable childcare, the AGS is quite limited when it comes to presenting actions related with poverty reduction. In the meantime, the share of total population experiencing poverty and exclusion has increased in majority of EU countries, especially in countries receiving EU financial assistance.

## Opinion on Country Specific Recommendations (CSRs)

In general, Caritas Europa is of the opinion that the poverty and social exclusion challenges are still not addressed in the CSR to the extent that they should be. In 2013, only nine countries were issued with CSR addressing poverty and social exclusion although the share of people living in poverty and social exclusion increased in majority of the EU countries while in 13 this share is higher than the EU average (24.2% in 2011).

Nevertheless, some progress can be observed as in 2012 only five countries were issued “poverty related” CSR; however, the situation had already been rather severe at that time. Among these CSR, a 100% increase of CSR on child-poverty can be noted. Unfortunately, in real terms this means that this year only four instead of two countries were called-on to implement measures addressing child poverty while child poverty continues to increase in the majority of the EU countries, having reached levels of over 30% in some of them.

The number of “poverty-related” CSR should not be seen as an exclusive way of assessing how the EU guides the MSs to tackle poverty within the Europe 2020 Strategy process. It is also important to take a closer look at the contents of CSR that address the issue of labour market participation. Obviously, given the growing unemployment in Europe, all MSs are called-on to reform their employment policies, but only in one case the problem of in-work poverty has been addressed.

Some population groups in the EU were particularly affected by the crisis. One of them are migrants. Unfortunately, only in the case of BE, a recommendation on implementing an Active Inclusion Strategy helping migrants was adopted. A few other countries were invited to increase employment opportunities of people with a migrant background while the CSRs remained silent on tackling other crucial factors leading to successful social inclusion, such as access to services and sufficient income.

## Assessment of the CSR 2013 adopted by the Council

### Welcomed recommendations

Caritas organisations welcomed the CSR referring directly to:

- **fight against poverty and social exclusion** (though absent for most MS), especially those where the needs of specific groups are addressed in the recommendation.
- **improve the educational achievement of disadvantaged people**, enhance the provision and affordability of more childcare and out-of-school.
- **increase employability through:** (i) the activation and integration measures of long-term unemployed, especially the ones aimed at integrating long-term unemployed and transforming precarious jobs (mini-jobs) into more sustainable forms of employment; (iii) giving higher incentives for second-earners and the availability of fulltime childcare facilities;
- **reduce low levels of education** and lack of skills of young people
- **pursue the fight against tax evasion**, combating tax fraud, improving tax

compliance and taking steps against the shadow economy and undeclared work;

**Recommendations with the risk of negative impact**

Many recommendations are not welcomed by Caritas MOs due to their negative impact. Most of them are related to **budget cuts and lower public investment, especially if resulting in a reduction of social spending**, which are causing an increase of structural poverty rates and are decreasing the access to quality services of general interest or reducing unprofitable transport, services or infrastructure in rural areas.

There is unanimity among MOs that aiming to improve the efficiency of the tax system, especially by **broadening the VAT base, implies that poor people have to pay more taxes which decreases their disposable income**. MOs have concerns about proposals of (i) reforming the wage setting system which could have the risk of decreasing the disposable income; (ii) recapitalising financial institutions if the non-accountability of companies causing financial problems is producing more harm to the system than delivering a solution.

**Recommendations that may have positive or negative effects depending on their interpretation or implementation**

Some of the CSRs are recognised by Caritas organisations **potentially having negative effects** on the situation of people, especially those from vulnerable groups. These CSRs include calling for:

- **Reforms of the old-age social security systems with employment-support measures** and labour-market reforms conducive to active ageing: they may have negative impacts if the pressure towards longer careers does not take into account the health status of workers.
- **Increasing competition in some sectors could result in significant job losses** and ultimately reduce the quality of services and increase fees, worsening the gap between certain groups and the majority of the population, especially if competitiveness is only understood in terms of wage cost, undermining technical progress and innovation.

The contents of CSR should be carefully analysed against the potential risks of delivering results that could be of the contrary to those expected. The length of the CSRs is rather limited while in the meantime they are considered as guidance for concrete reforms and policies to be implemented. As the Staff Working Papers underpinning the CSRs and explaining their context are not on equal footing (as far as their legal importance is concerned) with the CSRs, there is a risk that some of the messages presented in the CSRs **can be misinterpreted**. This may concern CSRs calling for

- **Reviewing the tax system and consider increasing those taxes that are least detrimental to growth**, (such as recurrent property and environmental taxation, shifting taxes from labour to less growth



distortive tax bases, notably by exploring the potential of environmental taxes); it may have positive effects although it can have a negative impact on the poorest people if domestic energies and increasing prices are not addressed in a proportional way.

- **Reforms on public administration and administrative capacity building** may have positive results if this does not lead to budget cuts or a decrease in access to/quality of social services for poor people. Special attention should be given to availability, accessibility, affordability of services, guaranteeing equal access and individual rights when implementing cost-effectiveness measures of health-care, reforming the judicial system, education and other public services.

### **Lack of CSR for Programme countries**

Finally, just like last year, the countries under “adjustment programmes” were not issued CSRs. The situation in those countries is getting worse as described in the European Commission's analysis of the social situation in programme countries published in July<sup>89</sup>. This may lead to the conclusion that the progress towards poverty reduction by MSs particularly affected by the economic crisis, is not a subject of EU assessment and no respective recommendations are issued for its achievement.

It is crucial that the EC encourages the re-establishment and reinforcement of social policies; without specific CSRs related to poverty and unemployment, the Europe 2020 Strategy is being undermined by the fact that these countries are only encouraged to implement budget adjustments, which is unlikely to lead to the achievement of the set poverty headline target.

## **7. The involvement of civil society in Europe's 2020 Strategy**

The Europe 2020 process is meant to follow principles of good governance by engaging with key stakeholders.<sup>90</sup> National, regional and local authorities, parliaments and civil society organisations should be involved in the European semester cycle, which should be based on a permanent dialogue and should not be restricted to the planning phase but cover the entire policy cycle of the process (planning, implementation, monitoring, evaluation and the overall communication strategy).<sup>91</sup>

### **Lack of, limited or not efficient**

Both the 2011 and 2012 editions of this report identified the lack of, limited or not efficient consultation carried out by MS when drafting their NRPs. Putting

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<sup>89</sup> European Commission, 2013, *Data sources for the timely monitoring of the social situation in EU MSs Working Paper 2/2013*.

<sup>90</sup> European Commission, 2010, *Europe 2020 A European Strategy for smart, sustainable and inclusive growth*.

<sup>91</sup> European Commission, 2010, *Europe 2020: Integrated Guidelines for the Economic and Employment Policies of the MSs*.



**consultation  
with civil  
society when  
drafting NRPs**

in place participatory structures and providing adequate time for stakeholders to respond to the consultation and the need for a more consultative approach was recommended as a result

The European trust in the EU is constantly decreasing, resulting into almost one third of all EU citizens having a negative image of the EU according to Eurobarometer data in spring 2013<sup>92</sup>. In addition, according to the same survey, more than two-thirds of Europeans say that their voice does not count in the EU (67%). This is an almost 100% increase in comparison to spring 2006.

**Civil society  
engagement as  
one of the core  
measures to  
reverse the  
trend of  
decreasing trust  
in the EU**

Engagement of civil society organisations in permanent dialogue around programming and implementing of policies affecting European societies should be considered as one of the core measures that could increase the trust in the EU. Otherwise, the gap between societies and policy makers, as well as EU institutions may appear and may lead to perceiving the EU projects and its process as not democratically driven. The consequences of such perception can put the EU at risk of being seen as organisations acting far from the reality of average people. Consequently, many important EU initiatives and process may be affected by a lack of interest, trust or by an increase of negative attitude towards them.

Given that neither the AGS nor the CSR are subject of public consultations, the permanent dialogue with CSO when preparing and adopting the NRPs should be strongly promoted by the European Commission as a core activity in engaging the civil society in the process.

**Despite  
improvements,  
problems  
remain**

According to Caritas organisations involved in reporting on involvement of CSO in NRP development since 2011, some progress was observed in terms of consulting the NRPs 2013. However, many significant problems remain, including: lack of sufficient time for consultation, very formal approach to consultations and lack of feedback to the CSO on the reasons of rejecting their comments and suggestions.

In this context, the European Semester process should be more effectively shaped towards showing that social, economic and employment policies are influenced by those who will they affected.

Caritas Europa would like to draw attention to the need to improve the participatory methods adopted in the compilation of NRPs, including a more adequate timing for stakeholders to respond or take part in consultation at the drafting stage but also at the implementation and evaluation

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<sup>92</sup> European Commission, 2013, *Standard Eurobarometer 79, Spring 2013, Public opinion in the European Union first results*

phases.

When producing the Guidelines for the next NRP, the European Commission should highlight the importance of consulting civil society and request detailed information on how the consultation process was held. The MS reporting on that should be the subject of Commission's assessment.

Furthermore, efforts must be made to improve or establish permanent structures for consultation and participation, including multi-stakeholder groups to develop meaningful dialogue processes, going beyond information and giving full participation.

The civil society engagement should be perceived as an important factor for successful implementation for the Europe 2020 Strategy and not as a formality of secondary importance.

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In addition to the above publications and documents, the report has extracted data and information from NRPs and complementary information from all countries involved in the production of this report as well as from Country Specific Recommendations and EC working documents. In addition, information has been taken from the questionnaires completed by Caritas Europa Member Organisations taking part in the production of this report.



## **Annexes: Country Summaries (to be ready in November 2013)**

The following countries have taken part in the process of drafting the EU Shadow Reports by answering a questionnaire. The main facts and ideas have been extracted in short country summaries, which can be found in a separate document annexed to this report:

1. Caritas Austria
2. Caritas Belgium
3. Caritas Bulgaria
4. Caritas Croatia
5. Caritas Cyprus
6. Caritas Estonia
7. Secours Catholique (France)
8. Caritas Germany
9. Caritas Greece
10. Caritas Finland
11. Social Justice Ireland
12. Caritas Italy
13. Caritas Lithuania
14. Caritas Luxembourg
15. Caritas Malta
16. Caritas Poland
17. Caritas Portugal
18. Caritas Romania
19. Caritas Slovakia
20. Caritas Sweden
21. Caritas Slovenia
22. Caritas Spain
23. Caritas Social Action Network and Catholic Children's Society (Westminster) – UK



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