

EUROPE 2020
SHADOW REPORT



EDITION 2013

MISSING THE TRAIN
FOR INCLUSIVE GROWTH
TIME IS RUNNING OUT



ASSESSMENT OF THE 2013 NRP AND PROPOSALS FOR THE ANNUAL GROWTH SURVEY,
COUNTRY SPECIFIC RECOMMENDATIONS AND NATIONAL POLICIES

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Preface

From the very beginning of the Europe 2020 Strategy, Caritas Europa has been actively involved in promoting and monitoring the implementation of the Strategy's Social Objectives. The main goal of our engagement is to monitor if and how the poverty reduction and employment growth targets are addressed in the EU and national policies. Our contribution is based on Caritas organisations' expertise in tackling the needs of the most excluded groups and on its capacity to provide good evidence on selected social problems. Caritas Europa also has the capacity for mobilising resources and a long tradition of engaging people at local levels.

This is why Caritas Europa takes an active role in the Shadow reporting process. Caritas' efforts in monitoring the social reality in different EU countries and in analysing the outcomes of the policies are presented in this 3rd edition of the Shadow Report on Europe 2020 Strategy. It is focusing on the challenges that should be urgently tackled in order to reverse the trend of growing poverty, inequality and social exclusion in Europe.

Among them child and family poverty, in-work and youth poverty, as well as the situation of migrants and Roma should be particularly highlighted. A specific chapter of the Report is dedicated to assess the use of the European Social Fund in fighting poverty and exclusion as well as to see what obstacles social NGOs are facing when attempting to implement ESF projects. The Report also analyses the situation in "Programme countries" and the impact of Troika agreements on employment and social situation in these EU Member States, as well as the impact of budgetary cuts on income condition of people and their access to services.

The Caritas Europa Shadow Report 2013 focuses particularly 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, namely:

- 1 Child and family poverty
- 2 In-work poverty
- 3 Poverty among young people
- 4 Impact of budgetary cuts on people's income situations 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 and furthermore attempts to identify concrete causes of the poverty and exclusion affecting them. The findings of this report are based on evidences collected by Caritas organisations when delivering every-day support to thousands of Europeans experiencing unemployment, poverty and exclusion. Moreover, the European and relevant national statistics and experts' reports are used to support the report's observations.

Caritas Europa believes that the European Semester still has the potential for making the Europe 2020 process more socially responsive. Therefore the report also presents concrete recommendations for policies and actions that should be applied in order to let the Europe 2020 Strategy contribute to the reduction of poverty and social exclusion. They concern the European Semester process and its core elements: the Annual Growth Survey, the Country Specific Recommendations and the National Reform Programmes. These recommendations are also suggesting how different important EU Initiatives and instruments incl. the Social Investment Package and Recommendation on Investing in Children, the European Social Fund or the Youth Employment Initiative should be streamlined into the European Semester process in order to strengthen their role and ensure complementarities with messages and guidelines produced.

Finally, the report includes also the specific country summaries presenting situation in 23 Member States and specific recommendations for the national social and employment policies.



Jorge Nuño Mayer
Secretary General

Testimonies

Testimonies from people experiencing poverty across Europe, such as:

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

Bulgaria

child poverty

"Our Centre is round the clock working to protect homeless children and children in risk or everyone needed support. At every moment we're ready to meet the children in our Centre. Here they find not only hot meal, bathroom, care, but most important—understanding and support. Most of the children are coming from extremely poor families living in very bad conditions. Their parents are jobless or work abroad. Because of lack of money many children couldn't visit classes regularly. Especially in winter months as they could not afford warm shoes and dresses. Yesterday two girls from primary school shared with me that for first time they've tried shampoo in our centre bathroom. We use a scale developed by UNICEF as an instrument for the evaluation of child poverty. There are 14 basic items in the scale that every child needs to have access to: three meals a day, at least two pairs of shoes, a place to study, a toy, etc. According to the standards of this scale, the lack of one of these is a sign that the child lives in poverty – which is the case of 40% of children coming to our Centre. About 20% of them do not have access to 10 and more items from the scale. Children also need educational support, for instance Vasilka (12 years old girl from Roma family) didn't speak Bulgarian language fluently. Children like Vasilka experience difficulties in communication in school and this forces them to stay apart from active teaching process, or ineffectively and formally to present in it. Because of administrative fought, school administration is forced to certificate such a children with fake Protocols as "mentally disabled" and to separate them from normal teaching process in classes. Our Centre is supporting such children with specialized lessons to compensate their Bulgarian language skills."

Seliha

Teacher, Interpreter Turkish Language, Centre for community support Caritas, Rouse, Bulgaria.

Croatia

family poverty

Mirela is a mother of three children (age 3, 9, 11), has a university degree in economics, unemployed for over two years now. She lost her job in a bank after coming back to work from maternity leave without prior notice. She hasn't found another job yet in spite a fact that she has sent over 200 applications for various positions and participated in over 50 job interviews. It is a general practice that employers don't even send you a letter with explanation stating the reason why you were not admitted to a certain position. Sometimes she tries to follow up with a phone call, but human resources officers usually tell her that this position was already intended for a concrete person, or that she being a mother of three children is a big risk for their firm. Her husband works as a salesman, has a secondary education, and is now the only one feeding the family. His salary is not paid on time (sometimes two or three months too late).

The youngest daughter (3) doesn't go to kindergarten, and older children (daughter, 11 years old, 9 year old son) attend primary school. Parents are not able to buy them new clothes so they have become Caritas beneficiaries. Sometimes they also receive food.

The children don't attend any sports and language courses as they did while she was working. They don't go to excursions with their classmates since parents can't afford it, they don't have mobile phones as other children and from time to time they are mocked by other children for not wearing new shoes, clothes, etc.

France

family poverty

"My husband and I lived like we always wanted: a lovely family, four beautiful daughters, and a happy home. My husband has always worked. He was agro food salesman and drove a lot for his job. In agreement with him, I gave up my work. I could work, I already worked as a secretary, but the salary would not have been enough to take care of my babies: childcare, nannies, leisure centre, canteen, etc. My salary would have disappeared in all these expenses and I would not have been able to educate my children, as I always wished. We were not rich but we lived nicely without overspending. On 27th April 2011, our life changed after an accident of my husband who underwent several surgeries and a long rehabilitation. We faced a vicious spiral. My husband lost his job and we have therefore suffered a dramatic loss of money but not got immediate access to benefits. Thus, we accumulated debts but we wanted to fight in order to overcome our problems, without asking for help, in depriving ourselves more. I tried to work, but with my husband suffering and four children, I did not have time to work, not even looking for a job. One day, a friend understood my distress and convinced me to ask for help. She brought me to Secours Catholique. My family starts to hope and live again."

Delegation of Secours Catholique (Caritas France) in Aude-Roussillon

Italy

poverty among migrants

Testimony by the Social operator Pedro, SAI (Service Assistance Immigration) Service.

Jorge is an Ecuadorian citizen. He is 49 years old. In 2001, when he was 37, he started his migration and reached Italy. Through the sanitary allowed by the Bossi Fini Law, issued in 2002, he was able to get a permit of stay.

Jorge is a carpenter and he doesn't find any difficulty to successfully enter in the building sector. He lives in a rented apartment in the Hinterland of Milano and by the end of 2003 he is able to reunite the whole family, composed by his wife and 2 children. In 2004 his third child was born and Jorge decided to make an important step: buying a house. He obtains a loan for 100% of the value of the apartment and with part of his savings he is able to pay for the notary expenses and for the furniture in the house.

His eldest child, who is 20 years old, starts to work after finishing high school studies in Italy.

At the beginning of 2011 things suddenly start to change. The company where Jorge has been working since several years goes bankrupt. Jorge can only find occasional jobs. His small income, even if summed with the one from the part time work of his son is just sufficient for the daily living of the family. But he cannot afford anymore the monthly fee of the mortgage.

He obtains from the bank a suspension, at the time allowed by Law. The situation gets even worse when the son also loses his job. In 2012 Jorge cannot benefit anymore from the suspension and the Bank requires him to pay the past fees.

Jorge understands that he will lose the apartment even if he has already paid 120,000 € in 9 years' time (the remaining debt is 140,000 €). In fact, by the end of 2012 the family has to leave the purchased apartment and moves to stay at a friend's place. The trauma is big. The condition of life is even worse than at beginning of the migration process eleven years before.

His eldest son flies back to Ecuador in January 2013. Jorge and his wife do not surrender, but the small cleaning jobs of his wife and his limited occasional works are not even sufficient for the economic running of the part of the family still staying in Italy. In May the family decides to go back definitively to Ecuador but they do not have enough money for the tickets. As they have the "carta di soggiorno" for long permit of stay, obtained in the years of successful work and stay, paradoxically, this is now the obstacle to access the governmental funds for the assisted repatriation.

Jorge asks for help to the Caritas Centre in his Parish that indicated this delicate situation to SAI-Servizio Assistenza Immigrati of Caritas Ambrosiana.

In July 2013, the family has moved back to Ecuador.

Romania

poverty among Roma

Katalin R. is a member of the Roma community living in the Craica settlement in the outskirts of Baia Mare, an industrial city in North-western Romania. More than 1,000 persons are staying today in the barracks of this shanty town, most of them without access to water, canalisation and electricity. Katalin is 25 years old, married and has three children, who are attending the kindergarten of the St. Francis Community Centre of Caritas.

"My husband lost his job, when the factory dismissed many workers. They told him that he cannot work there anymore, because he does not have any professional training. But I know the truth: Many Romanians, who before worked abroad, came home. Probably, the crisis struck also there. At the factory they fired the Gypsies and hired Romanians.

After my husband lost his job, he started to earn some money by collecting scrap metal. But even this business is not working any more. So I started to go to the waste containers in a nearby neighbourhood to look for food and other useful things. I am not ashamed of this – somehow I have to provide for my children. I did not yet go for begging, but if it will be necessary, I will do so.

With all these problems, God gave me another child. I really do not know how I will take care of all three of them."

Slovakia

poverty among Roma

Janko was born as the third child in a family living in a city located in the middle of Slovakia. He started to have problems as a small child – he couldn't walk until he was 6. His most loving memory, about which he likes to talk a lot, is, when his mother put a small meowing kitten into his stroller – that was when he learned how to meow. He likes to meow and he does it very often. He also likes to talk about cats and tomcats; sometimes he wishes he would be a tomcat, too. However, during his childhood he also underwent a lot of unhappy experiences.

When he was 7, Janko started to attend primary school. He mostly liked to write and draw. He writes beautifully and loves to draw even at today. He finished compulsory education at 16 as a 6th grade pupil and immediately started to work. He left his home mostly because his mother took all of his money. Until 2006 he lost his job several times, but his unemployment never lasted too long. He lived in his hometown with shorter or longer breaks until the end of 2006. Afterwards, he lived in several shelters around Slovakia. In July 2007 he moved to Bratislava. He found a job and lived in a hostel. Because of a job notice and following inability to pay for the hostel costs he came to the Night shelter of St. Vincent de Paul at the end of June 2012. Two weeks later he moved to the Shelter of St. Vincent de Paul, where he is living now.

Our social workers provided Janko with the necessary help to get a poverty benefit, disability annuity, disability ID card and also the important decision on the need of provision of social services. Janko is worried about his situation. He only would like to live a dignified life and to have a dignified job, and those are his only wishes.

Rationale

Overall context

Europe 2020, the strategy for jobs and smart, sustainable and inclusive growth¹ 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 20–64 year-olds to be employed;
2 Education	➔ reducing school drop-out rates to 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.

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

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

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

⁴ European Commission, 2013, *Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014–2020” COM(2013) 83 final.*

⁵ 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 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).*

⁶ 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.*

⁷ 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).*

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 (CSRs) adopted by the Council on 19th June 2013.² 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)³ 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 of 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 the employment situation is worsening, especially in the countries under EU financial assistance programmes. This puts the Europe 2020 strategy at risk.

In February 2013, the European Commission presented the Social Investments Package (SIP)⁴ proposing policies to strengthen people's skills and capacities and to 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– 2020.⁵

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, organisations of civil society play an important role in meeting the objectives of EU social policies. This importance is not only due to the role they play in participating in policy-making processes, in employment and in the implementation of social policy⁶, 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”.⁷

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 also have the capacity to mobilize resources and a long tradition of engaging people at local level 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 activities in this process include: a) assessing the NRPs and relevant national social and employment policy implementation, 2) providing feedback on CSR implementation and ideas for forthcoming CSRs 3) presenting assessments of the overall social and employment situation across the EU with a particular focus on the issues that should be considered as priorities for the next and subsequent AGS.

Objectives of the Report

This report addresses the Europe 2020 strategy's strands relating to poverty, social exclusion and employment from the perspective of Caritas Europa and its Member organisations from 23 MS8 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 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 reports⁹
- ➔ 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 among youths
 - ➔ The impact of budgetary cuts on the income situation and access to social services
 - ➔ The situation of specific vulnerable groups: Roma and migrants
- ➔ Presenting the employment situation, focusing on the main groups at risk of unemployment, with attention to the increasing segmentation of the labour market and in-work poverty.
- ➔ Providing feedback on the use of ESF for fighting poverty.
- ➔ Summarizing Caritas Europa's assessment of EuropeaSemester 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 of the CSRs adopted this year by the Council and (iv) recommendations that should be reflected in the next year's CSRs.¹⁰

The methodologies comprised a participatory process managed by Caritas Europa Secretariat and engaged the expertise of its MO in 23 countries. Information and data were extracted from questionnaires completed between July and September 2013 by Caritas Europa MOs.¹¹ The questionnaires sought to gather information and data from statistical sources (official¹² and non-official) and from the experience and knowledge acquired by the different MOs. As part of the process, Caritas Europa organized a workshop in autumn 2013 to support the peer exchange of knowledge and information, review the report's contents and further develop its recommendations.

⁸ 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.

⁹ 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*, www.caritas.eu

¹⁰ Country Summaries, November 2013.

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

¹² 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

01 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 is greater than in the previous years. In 2011–2012 poverty has grown in most of the MS and this trend seems to be continuing. Despite increasing attention to poverty and social exclusion, the AGS and the CSRs continue to put the focus mainly on economic growth based on fiscal consolidation and supporting competitiveness.

02 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 modernization and sustainability of public finances, more vulnerable countries receiving EU financial assistance (delivered through the European Stability Mechanisms) are undertaking drastic cuts which have consequences in the core of the welfare system, thereby increasing their distance compared to the former.¹³ As a result, the differences in the levels of social protection are aggravating and increasing the differences between central/north and south/peripheral regions of Europe.

03 The on-going crisis is causing a dramatic increase in 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, considering the fact 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 progression towards building a Europe based on equal opportunities and social justice.

04 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 of social benefits (increasing conditionalities, less income, etc.); in the countries with a lower level of social protection (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 becoming excluded not only from the economic system, but also from the public services.¹⁴

¹³ 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*

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

05 There is an increasing deterioration of labour market conditions with additional job losses and a rise of unemployment

In many countries, the magnitude of unemployment and the increase in joblessness is turning into structural unemployment; the share of long-term unemployment (more than 12 months) as well as unemployment among youths (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 jeopardize the future employability of young workers, which, in turn, might dampen a future labour market recovery, most notably in vulnerable MS.

06 In-work poverty and precarious employment are increasing

Increasing in-work poverty is an important determinant of income inequality due not only to high levels of unemployment, but also to the growing number of temporary and part-time contracts, as well as to 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 a period of unemployment are facing the risk of becoming in-work poor.

07 Recent data point to higher levels and deeper forms of poverty and social exclusion affecting children and youths

Children, long-term unemployed, youths and people with low education levels have been particularly hit by the crisis. In 2011, 37.9% of the population in the EU-28 could not afford unexpected financial expenses.¹⁵ 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 concerns, but this problem is not visible as a priority either at the EU or at the national levels.

08 Cutting or freezing certain basic social services is aggravating severe forms of exclusion

Many families are experiencing a significant 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 (healthcare, access to justice, housing) are having long-term detrimental effects on people's dignity, employability and capacity to fully participate in society.

09 A greater proportion of immigrants are facing the risk of poverty and social exclusion

Governments and the EU are making an effort to rationalize and control migration flows. Some of the measures are resulting in restrictive immigration policies that are taking a higher proportion of immigrants out of formal employment and of social protection systems and 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 present, 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 expenditure 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 expenditure level. Caritas Europa is seriously concerned about this issue. Several

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

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 the AGS 2013 calls for the first time on MS to (i) prevent child poverty, (ii) review the tax schemes that increase the debt bias of households, and (iii) provide quality and affordable childcare, it dedicates very limited attention to measures aimed at poverty reduction while it continues to increase in majority of the MS.

13 Very few 2013 CSRs address the issue of poverty and social exclusion; some of them may cause an increase in 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 lower public investment). Some CSRs may have positive or negative effects depending on how they are interpreted and implemented.

14 There is a lack of consultation, or limited or inefficient consultation carried out by MS when drafting their NRPs

This poor consultation demonstrates the gap between societies and policy-makers, and contributes to the perception of EU projects and processes as not democratically driven. The consequences of such perception can put the EU at risk of being seen as an organization distant from the realities of ordinary people.

Key recommendations

The Europe 2020 strategy claims to promote 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 focuses mainly on macroeconomic developments, while poverty and its implications are not included within the macroeconomic components to be monitored. This poses the questions: *What else is poverty, if it is not a macroeconomic component? And what is a macroeconomic examination when it does not consider poverty?*¹⁶ Moreover, the policies promoted should not only focus on increasing employment rates in Europe but also on reducing 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 2nd 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 roles in the Europe 2020 strategy implementation.

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

Europe 2020 process and financial stability mechanisms

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

01 | Tackling poverty and exclusion should 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 should include measures addressing the growing poverty among such groups as: **families and children, migrants, youths, Roma and working people**; furthermore, it should promote policies tackling the causes of poverty including **precarious employment, cutting of benefits, freezing access to social services**.
- ➔ The Guidelines for 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 CSRs on poverty (especially those experiencing increasing poverty or poverty 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**.¹⁷ 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.

02 | Programme countries should have opportunities for progressing towards achieving the social objectives of the Europe 2020 strategy

Taking into account the fact 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 abandoning or **weakening the universality of existing basic services should be avoided**, as this approach goes against basic social rights and results in increased poverty and inequality.
- ➔ **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 aimed at social investment** including those aimed at investing in children and youths.
- ➔ Countries under financial assistance ("Programme countries") should be issued with a **full set of CSRs as the other countries are**; the CSRs 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 at grass-roots level show that children and poor families, youths, Roma and migrants continue to be particularly affected by poverty and exclusion. Their situation has worsened in recent years as a result of cuts in public spending for basic social services and benefits and as a result of growing unemployment and increasing costs of living. Moreover, the possession of a job is increasingly insufficient for preventing poverty. Therefore MS should implement policies tackling the above challenges and the EU should prioritize them in its different processes and agendas.

¹⁷ 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.

03 | Child and family poverty should be prioritized in the Europe 2020 process and should be clearly reflected in ESF programmes

Taking into account the **continuing increase** in child poverty, and in view of the severe consequences of child poverty for European society in 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 Investing in Children* should be implemented and mainstreamed into national policies.

04 | Targeted and comprehensive measures are needed to tackle youth poverty

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

- ➔ Both the AGS and CSRs should call on MS to implement measures 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 unemployed youths** 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 young people.
- ➔ When implementing the *Youth Employment Initiative* the MS should make an ex-ante assessment of measures such as apprenticeships or traineeships against their potential for creating jobs preventing from becoming poor. Any risk of creating precarious employment should be avoided when implementing ESF projects.

05 | Effective policies addressed to migrants should be applied

Taking into account the **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 in order that an integrated approach be applied to addressing 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 the 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.

06 | The *Recommendation Effective Roma Integration Measures* should be implemented

Taking into account that a high proportion of **Roma continue 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, healthcare and housing into the EU Funds Operational Programmes 2014–2020.

07 | **The policies applied should avoid 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 a core element in national and EU employment policies.
- ➔ In this context the Commission, when presenting its AGS Priorities for job-rich recovery and improved employability, should highlight the importance of creating decent jobs preventing poverty.
- ➔ Consequently the CSRs should call on the MS to address (where relevant) the issues of minimum wages, reduced employment security, prevalence of temporary and part-time jobs and attempts to replace jobs with labour activation measures such as apprenticeships. The risk of creating precarious employment should be avoided when implementing ESF projects aimed at jobs creation.

Social Investment and EU Funds

08 | **It is urgently necessary 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:

- ➔ Undertaking 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 protecting the existing social elements of the welfare states and strengthening the 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 which strengthen the role of the non-profitable sector in the creation of different forms of employment for people at risk of poverty and social exclusion.

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

- ➔ Including the SIP's 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 should be made available for poverty reduction and social inclusion

Taking into account the low level of **ESF spending** and the difficulties 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 the most vulnerable, the share of ESF in cohesion policies and the 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 youths and the working population, as well as among Roma and migrants, should be given high priority in the programmes.
- ➔ 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.
- ➔ 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 recognized 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 the Europe 2020 process

11 | The process of dialogue with civil society should be improved

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.

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

The on-going economic and financial crisis in the EU is catalysing a deep change at the economic, employment and social level.¹⁸ 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 as well as causing a dramatic increase in inequalities and social exclusion.

Despite increased income taxes and social transfers that were introduced as automatic stabilizers, in the first three years of the crisis, inequality in income from work and capital increased. This trend is especially worrying in some EU countries, including those under the EU financial assistance.¹⁹ 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 stabilize 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.²⁰

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 debt accumulated 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 and PT it could decrease by over 1.5%. It is important to stress 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 demand – quite the opposite

Encouraging 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 growing competitiveness 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 (by increasing GDP), the decrease in unit labour costs in

¹⁸ European Commission, 2012, *Annual Growth Survey 2013, COM(2012) 750 final*.

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

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

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 an economic downturn.

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 mismatch in the labour market 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 producing 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 are turning into structural unemployment; the share of long-term unemployment (more than 12 months) as well as of unemployment among youths (15 to 24 years) is constantly rising. This could jeopardize the future employability of young workers, which in turn might damage a future labour market recovery, most notably in vulnerable MS.

At present, fiscal consolidation continues to be at the heart of policy decisions, despite assertions of the need for it 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 that guarantees the future of the European social model and they continue to be at the heart of policy decisions at European level. As AGS 2013 states: "*The main priority for the euro area is to continue on the path of structural reform [...] and the deleveraging and adjustment process is inevitable*".²¹

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 in addition to the need for policy-makers to alleviate *the associated economic and social consequences*.

However 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 having a negative impact on social cohesion and undermining the fulfilment of poverty reduction targets; this takes place particularly in the countries where these policies are aggravated by declining tax resources, which is likely to result in increasing inequalities and poverty. In consequence 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 will not 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 of fiscal consolidation, lack of economic growth, lack of employment possibilities and increasing inequalities and exclusion.

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

²¹ European Commission, 2012, *Annual Growth Survey - Annex Macro-Economic Report*.

Situation in the Programme countries

EU Financial assistance mechanisms are in place for vulnerable MSs

In 2010, the EU established European financial assistance mechanisms with the aim of supporting EU MSs 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 on-going programmes for EL, PT and IE.

So far, eight 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.

Memoranda of Understanding focus on fiscal/deficit adjustments which also affect access to services and social protection; however they do not address poverty reduction and the protection of the vulnerable

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 into account in this agenda.

This is particularly worrying, taking into consideration that these MS applying for financial assistance are confronted with a worse 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 sources²² 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/peripheral): while the countries less pressured by economic adjustments and with more established social welfare systems are making reforms for the modernization 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 from the former.

The principles of social and territorial cohesion as well as solidarity have been at the heart of the EU. In fact, while in previous decades the major trend was economic growth and social

²² 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.*

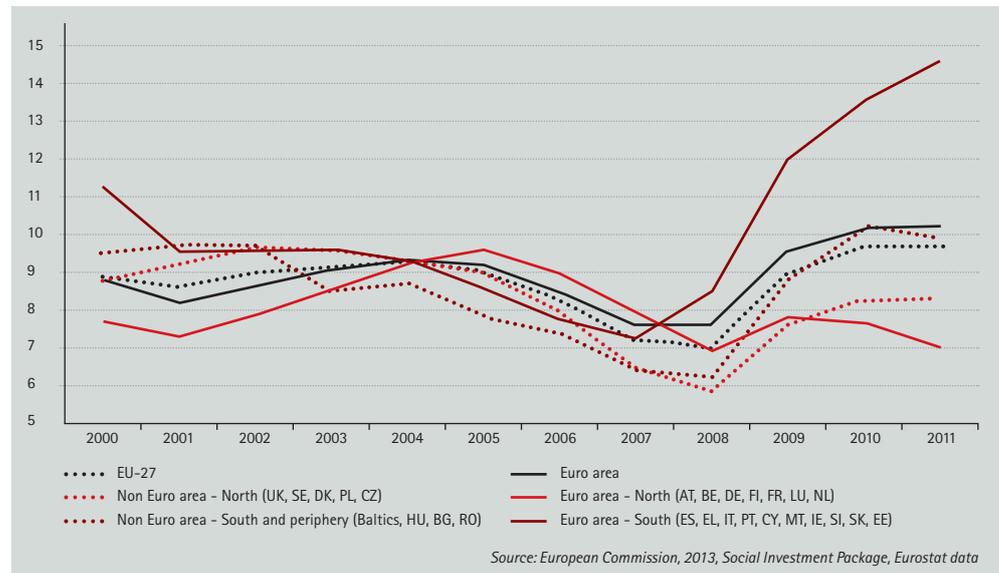
cohesion, resulting in convergence in terms of welfare and income, since the beginning of the crisis there has been an increasing divergence, not only in the social situation but also in policy, leading to a polarization of centre/north and south/periphery. When looking at key social indicators and at Caritas organisations' grass-roots 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 from this situation will take a long time.

Data from official and non-official statistics as well as feedback from MOs in these eight 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

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



Levels of Unemployment are high

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 growing income inequality and poverty

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.²³ The key factor explaining the high levels of in-work poverty are wage adjustments, 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.²⁴ 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 Estimates²⁵ 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 access to unemployment and other benefits

In ES, labour reform has reduced the levels of unemployment protection, affecting part-time workers, with very little impact on active employment policies.²⁶ 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.²⁷

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

Country	Unemployment rate, annual average (%)		
	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

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

²⁴ 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*.

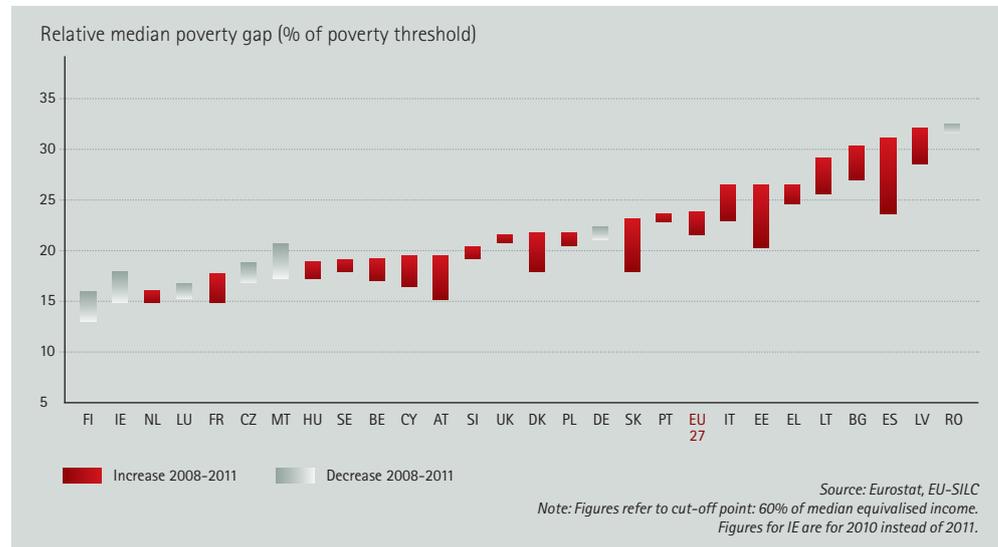
²⁵ Central Statistics Office Ireland, 2013, *Population and Migration Estimates*.

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

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

Increasing poverty and social exclusion

Graph 2 Deepening of the risk of poverty: change in the at-risk-of-poverty gap 2008-2011²⁸



There 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 40%. In fact, available data show 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.²⁹ Some Caritas organisations observe an increase in extreme poverty, e.g., Caritas EL notes a dramatic increase in homeless people who, according to unofficial estimates, number 40,000. There has also been a similar increase in free meals and food distribution.

There is 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 youths 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 threshold of poverty, which is 30.4% of all children in the 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 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 decline in living conditions caused by decreasing income and fewer 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

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

²⁹ European Commission, 2013, *Employment and social developments in Europe 2012*.

life.³⁰ An increased chronic dependence on assistance can be witnessed: almost one third of people assisted by Caritas have been using its services for three 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 statistics³¹, each year Caritas organisations assist 115,000 beneficiaries from the poorest and most excluded social groups. In EL the elimination of special unemployment allowances and special income support aids to employees who became redundant when the enterprises where they were employed were shut down was noticed.

Significant numbers have a 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 rates 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

Country	At-risk-of-poverty & social exclusion rate (%)	
	2010	2011
EU 28	23.6	24.3
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

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

Austerity measures weaken the automatic stabilizers of the social protection system with greater effects on those most excluded

The factors increasing poverty and social exclusion are currently beyond control in southern/peripheral European countries. 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 stabilizers of the social protection system with amplifying effects on those most excluded.

³⁰ Instituto Nacional de Estadística, 2012, *Encuesta de Población Activa (EPA)*.

³¹ Caritas Romania Confederation, *Solidarity Compassion Hope. Caritas in Romania*.

There is no proof of 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 linked³², 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 the 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 the 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 polarized (many vulnerable people are expelled from the economic system and public social protection networks).

The lack of emphasis on 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 in this situation

Compared to other EU objectives, the lack of emphasis in NRPs and national policies on 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 failure to issue country specific recommendations to the countries currently receiving financial assistance, such as PT, EL, CY and IE, withdraws them from the process of monitoring their progress towards achieving concrete national objectives related to 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.

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

03 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 MSs since 2008, outnumbering those in which it decreased³³

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 2020.³⁴ 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 numbers 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 decreased slightly 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 rate 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 MS since 2008.

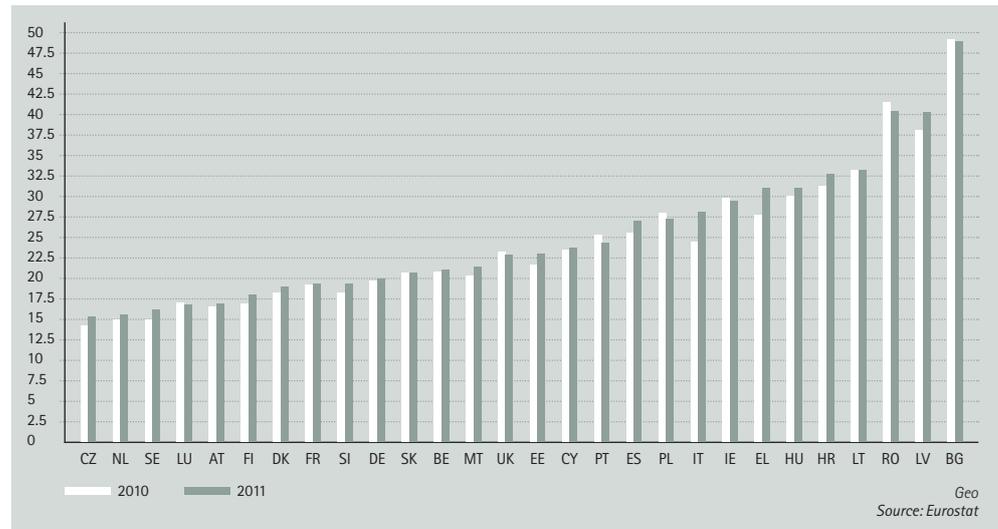
The national data show even more worrying trends. In PT, there was a reduction of 3% in the poverty threshold between 2009 and 2010 (annual threshold 2009: 5,207 euro; annual threshold 2010: 5,046 euro). In July 2013, the National Statistical Institute (INE) calculated the at-risk-of-poverty rate anchored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

³³ European Commission, 2012: *Annual Growth Survey 2013*

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

³⁵ 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(%)



Children are at increasing risk of poverty

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 were 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 have been using its services for three or more years. Caritas HR reported that families in which at least one parent lost his or her 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 to 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 reverse 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 and efforts to improve the take-up of measures by vulnerable groups), their implementation is not sufficient to revert the current trends given the extent and depth of poverty in most MS.

The latest review by the EC on the employment and social situation concludes that social risks are increasing³⁶. One of the problems with 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 assess what the long-term impacts of the cuts to welfare and services are in areas such as education, health and social care.³⁷

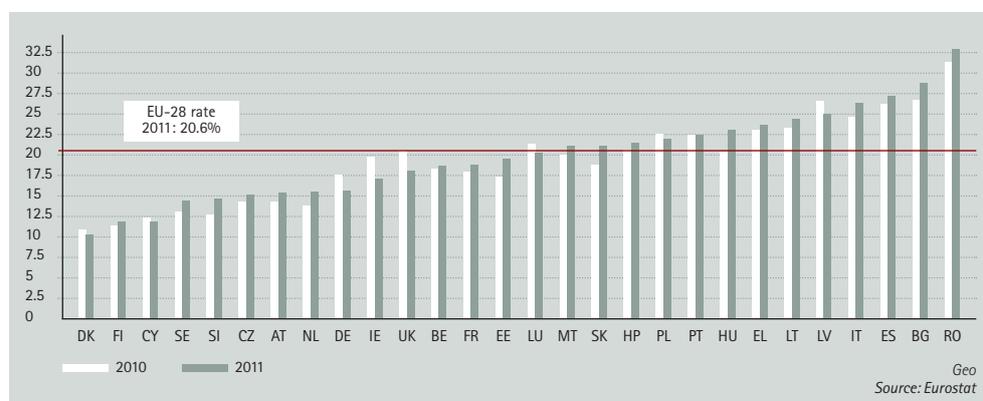
3.2 Main concerns

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.³⁸ In only 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 2020.³⁹) In many countries the growing trend will continue.

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



³⁶ European Commission, 2013, *Employment and Social Developments in Europe 2012*

³⁷ 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.*

³⁸ 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.

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

Growing up in poverty may affect every area of a child's development and may have severe long-term consequences

Child poverty is recognized as a multidimensional problem which requires urgent action in the fields of social, economic, health, environmental and cultural policies.⁴⁰ 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 realize 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: preventing children from achieving their full potential adversely affects their health, inhibiting their personal development, education and general well-being. In fact, there is an interconnection between being poor and disadvantaged at an early age and being poor and disadvantaged in adulthood⁴¹

The crisis continues to worsen children's situations in most MSs

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.⁴²

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

- ➔ Employment or unemployment situation: parents work in low paid jobs, parent(s) lost a job, long-term unemployment of one or both parents, part-time employment, etc.
- ➔ Lack of appropriate services: cuts in public spending on benefits and other means of supporting families, lack of access to care services, budget cuts, etc.
- ➔ Individual or social situations: single parents, migrant families, low levels 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 for basic needs. This affects especially the children of the unemployed or the working poor, children of parents with disabilities, children from families living in poor and remote areas, children from migrant families.

In HR between 2011 and 2013, a 10% increase in children living in poverty has been observed – a growing tendency among families who are 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.⁴³ According to INSEE, one child in five is poor and one in three people in poverty is a child.

⁴⁰ 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*

⁴¹ Caritas Europa, 2011, *Child Poverty, the State of Play in Europe*

⁴² 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*

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

- ➔ In CY in 2013, 7.8% of 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 youths (under 18 years old) will increase dramatically.
- ➔ Caritas EE has concentrated its activities on alleviating poverty among young mothers (aged 18 and below). The organization'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 organization increased from 627,000 in 2001 to 668,000 in 2011⁴⁴
- ➔ In HR, diocesan Caritas annual reports on social care and services provided indicate an increased number of families with three or more children, elderly retired persons with below-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, bank credits, gas, etc.).
- ➔ Caritas IT has highlighted the number of separated/divorced parents in need who 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 and of children who are malnourished or inadequately clothed in winter.

The new categories of poor children are those from migrants' families and EU citizens working abroad. This is observed particularly in such countries as RO and BG; e.g., in 2008, more than 1 million Romanians 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.

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

Caritas Europe welcomes the measures proposed by the European Commission in its Recommendation on Investing in children⁴⁵ 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 and subsequent AGS will urge the MS to reflect an increased focus on social investment in childcare in their policies. That would entail 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.

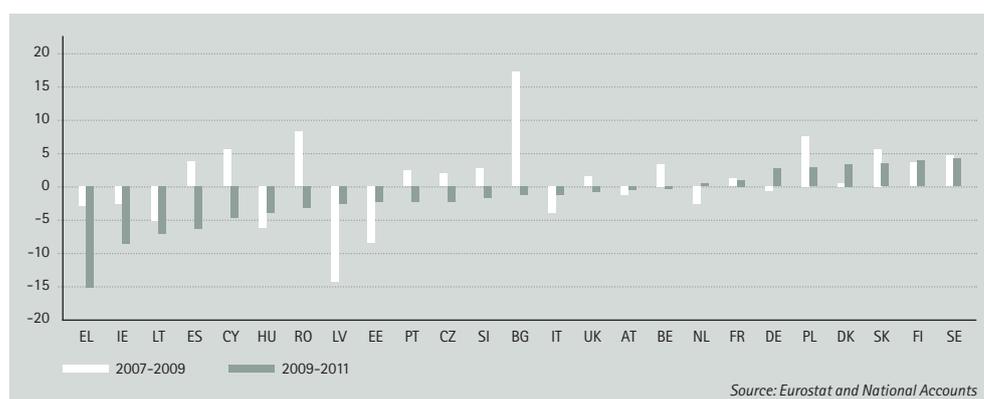
→ The key role of families

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.⁴⁶ This has probably increased the number of single parents and recomposed families. More children, now over a third, are born outside marriage.⁴⁷

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

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 stabilizers. 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



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

⁴⁶ European Commission, 2010, *Demography report*.

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

Many families are experiencing a strong 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 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 is needed

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 the 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.⁴⁸ 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, such as education and healthcare.

Guaranteed access to services is necessary

The existence and persistence of social inequalities in children's health and education is related to the increasing cost of services and of daily life. Some MOs have reported that socioeconomic circumstances are aggravating child poverty to the point of **failing to provide for 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 the costs of placing children in such centres are too high and, as a result, parents decide to take children 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 negatively stereotyped (UK).

Measures for cheaper accommodation should be provided

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) live in overcrowded accommodation, compared to 18% of the EU population as a whole.

Other causes of poverty in families should be addressed

There are several other specific factors accompanying poverty situations of families and children. According to Caritas observations poverty is mainly present in families where parents have low

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

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 or more children (33.1%). In AT 22% of people assisted by local Caritas organisations were single parents.

There are also important geographical factors. In RO and BG poverty is mainly concentrated in families living in rural areas. In IT it mainly affects southern regions. In FR, child poverty is concentrated in three regions: Île-de-France, 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 the sensitive urban zone (ZUS).

Effective 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 some MS protection systems continue to prevent children from becoming poor; however, these systems have also been affected by budget cuts (CY, LU). In addition, there are 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 the housing allowance) and special recreational allowance for children will be introduced as 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 so efficiently, support must concentrate on the early stage of life and on the preventing from transferring poverty between generations. 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.⁴⁹

Increasing poverty among youths

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 being eroded. 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.⁵⁰

A significant proportion of the young population is living in marginalized 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 among youths.⁵¹

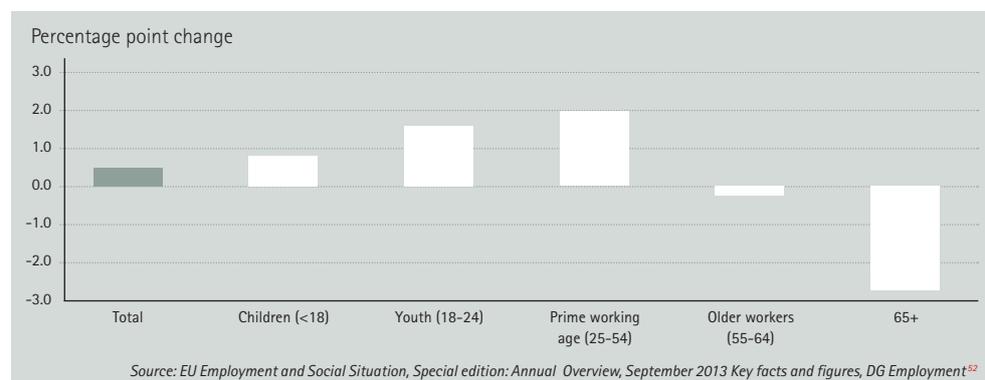
The EU-28 average rate of at-risk-of-poverty among people between 18 and 24 is 21.7%. In most of the EU countries, this rate is increasing; in the cases of BG, EE, IE, IT, ES, LT, RO and DK there has been a rise of more than three p.p. between 2010 and 2011. Youth poverty and the transmission of poverty 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.

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

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

⁵¹ 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



The lack of jobs, low-paid jobs, lack of security in 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.⁵³ All these circumstances are related to precarious and flexible jobs aggravated, in many cases, by involuntary self-employment and the 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" which puts them outside the protection of labour code legislation and respective labour protection services. Caritas ES has called attention to the potentially negative consequences of some measures proposed in the Spanish Youth Employment Strategy such as the weakening of social protection of young workers. Caritas DE 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 erode access to autonomous life, political participation and social services, as well as a rise in extremism⁵⁴

Unemployment, insecure jobs and poor working conditions are affecting the well-being of young working people

Besides unemployment, insecure jobs and poor working conditions also severely affect the health and well-being 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.

⁵² European Commission, 2013, *EU Employment and Social Situation Quarterly Review – September 2013*.

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

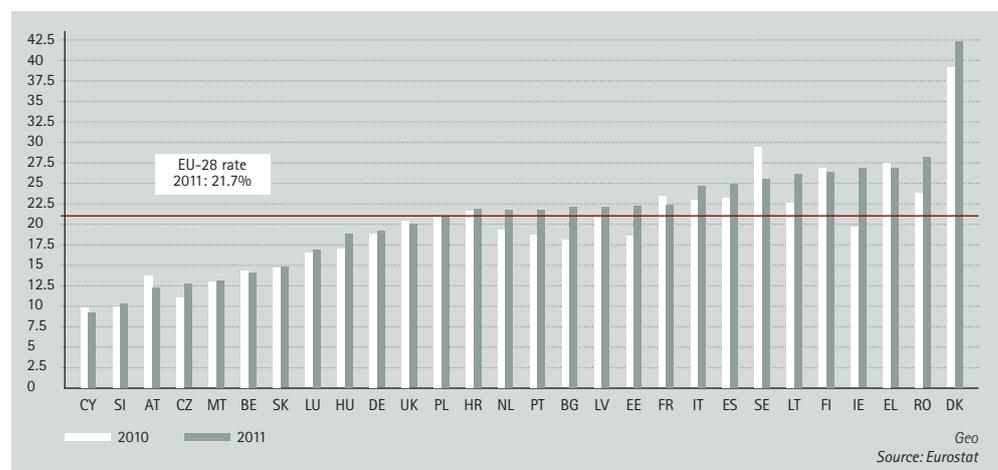
⁵⁴ Council of Europe, Parliamentary Assembly, 2013, *The young generation sacrificed: social, economic and political implications of the financial crisis*.

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, healthcare, 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 incomes 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.⁵⁵

The quality and efficiency of traineeships should be examined

Despite traineeships being very important for the access to employment, there are serious concerns about the quality of traineeships on offer. These concerns are over the added value of traineeships when there is insufficient learning content, over inadequate, and over repeated traineeships that are in reality 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 durations 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.⁵⁶

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



Growing poverty among young people has resulted in an increase in the number of young people seeking 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 youths, while in 2012, 30% of all people asking for help were below 30 years old. The proportion of youths 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 becoming more and more involved in helping young poor demonstrates that there are many different factors leading to or accompanying the poverty situation. Poverty is visible among young Roma (BG, SK), low educated youths (BG), young rural inhabitants (PL, RO), those of foreign origin or benefiting from social transfers (FR). However, new and worrying trends are observed among youths with middle or higher educational levels (BG, FR) or working (FR).

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

⁵⁶ 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

A detailed analysis⁵⁷ 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; RSA⁵⁸ beneficiaries who live on 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 youths have difficulties reading and writing. 24.7% have 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 creating 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 organizing provision of training and programmes improving qualifications of young people (EE, FR, BG, RO).

Many young people are forced to **drop out of 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 proportion 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 prospect 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 80,000 youth homeless; furthermore, an **increase in homelessness among youths**, 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 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 the employability of young people but also on delivering decent employment, including appropriate social protection and avoiding any kind of precarious work.⁵⁹

Without underestimating the potential opportunities of self-employment for the young people it should not always be considered a solution, especially if it became a form of involuntary or "dependent self-employment".⁶⁰

⁵⁷ Secours Catholique, 2011, *JEUNES, UNE GÉNÉRATION PRÉCAIRE*. URL: http://www.secours-catholique.org/IMG/pdf/Dp_Stats2010-2-2.pdf, pages 15 à 29.

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

⁵⁹ 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>

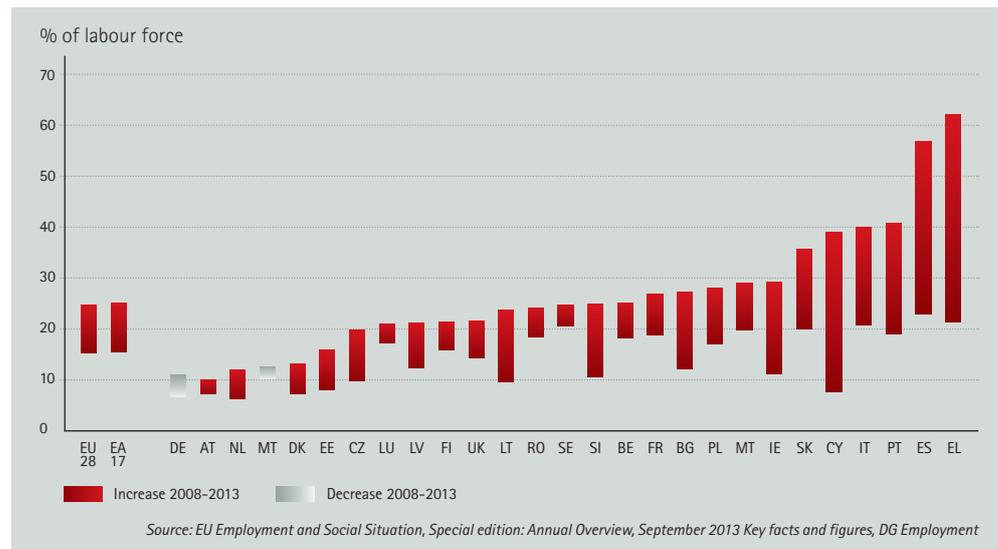
⁶⁰ European Parliament, 2013, *Social protection rights of economically dependent self-employed workers*. URL: <http://www.europarl.europa.eu/delegations/en/studiesdownload.html?languageDocument=EN&file=92570>

→ 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 as high as 70% in some regions⁶¹ demonstrating growing difficulties in the transition from education to employment.⁶²

Graph 8 Youth unemployment rates across EU Member States



The inflow of permanent and full time jobs is limited

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%⁶³ 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 convergence of "flexible work" and "precarious work" for young people.

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 young people has led to a sharp rise in the number of youths 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 is related to a lack of soft skills, vocational training, and work experience necessary to navigate the transition into the labour market when leaving school.⁶⁴ This is often related to earlier social exclusion, during the 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.

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

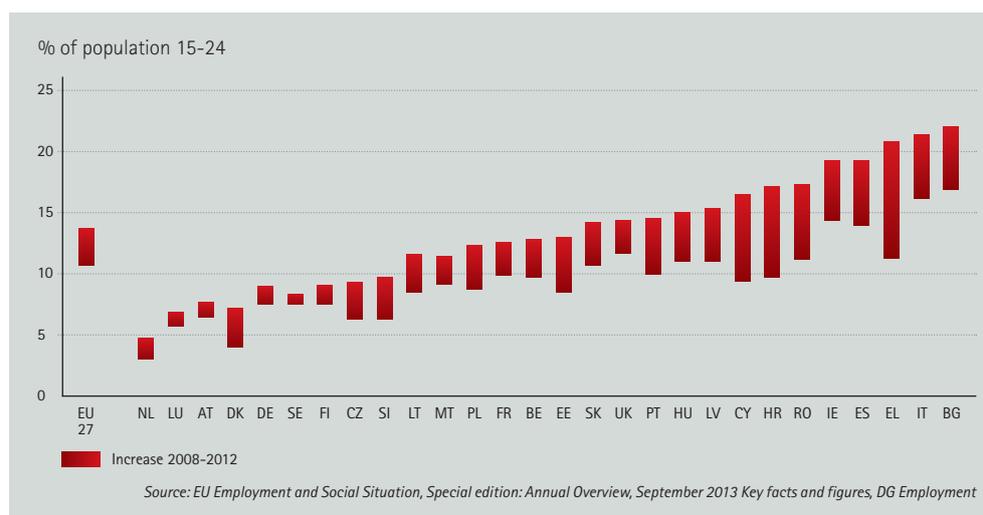
⁶² European Commission, 2012, *Annex draft Joint Employment Report to the Communication from the Commission Annual Growth Survey 2013, COM(2012) 750 final.*

⁶³ *ibid.*

⁶⁴ 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.

From 2008 to 2012, NEET rates have drastically risen in the entire EU except in Luxembourg, AT, DE and SE. NEET disaffection has consequences in social and political marginalization (low trust in institutions and a low level of political and social participation) of youths besides adding up to 1% of GDP in the 21 EU MSs studied.⁶⁵ 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)



In order to tackle youth unemployment, the European Commission has proposed the Youth Employment Initiative (YEI).⁶⁶ 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 emphasizes the need to allocate sufficient resources to make it work and prevent 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:

- 1 | Addressing the causes of NEET situations, among others, by reducing early school dropout rates, improving the quality of education systems by introducing enhanced mechanisms to monitor the performance of education and training systems, better adjustments between education, vocational training and labour market needs and the provision of support and opportunities in order to increase quality education for children and young people.
- 2 | 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 and relevance to labour market needs, securing in addition working conditions and adequate pay and benefits for trainees and apprentices.
- 3 | Avoiding measures that risk undermining the quality of youth employment. Legislative measures, plans and projects should avoid the risk of substituting real jobs

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

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

with traineeships. The transition of young newcomers from entry-level jobs with short durations into 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.

- 4 | Adequately Addressing youth poverty in the European Semester process.** NRP ought to report on the respective measures taken towards preventing young people from becoming poor while in the period of participating in the labour activation measures. The MSs should report back, through their NRPs, on the mechanisms in place introduced in order to counteract precarious and unsecure employment among young people. The Commission, through both the AGS and CSRs, should call on the MS to implement measures aimed at ensuring quality and decent employment of young people.
- 5 | 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 supporting measures and initiatives addressing in particular NEETs who encounter more difficulties in accessing employment.
- 6 | 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 low-quality apprenticeships and low-paid employment. This should be done through stabilizing 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 youths from their home countries

A large number of young Europeans are migrating due to the economic crisis, unemployment and lack of prospects in their home countries

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 being emptied of young people in some countries, such as in eastern and southern European countries, and becoming overcrowded with them in others.

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 indisputable benefits. However some European countries, in the long-term, may suffer the loss of a qualified workforce and reduced 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.

This 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 leaving the country than entering it. IE, EL and PT are following the same patterns of increased youth emigration.

The growing proportion 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 entitlement to 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 take precarious jobs due to the absence of safety nets, such as their families. Therefore, more comprehensive solutions should be considered when proposing higher youth mobility. These should not be limited to promoting better employment opportunities, but should also provide some protection arrangements, e.g., transferability of the entitlements to 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*⁶⁷, income support or access to services should not only be available to those who are unemployed, but also to those whose income from work does not prevent them from becoming poor, including when abroad.

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) stabilization: aimed at securing economic stabilization, in particular of GDP but also of employment and price levels, (ii) distribution: aimed at securing adjustments in the distribution of income and wealth and contributing to an equitable distribution of incomes and (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. Social protection meanwhile can be especially linked to the distribution function, which should be considered in a very broad approach 1} covering in particular the distribution of incomes over the course of life, and the stabilization of the economy.⁶⁸

The positive effects of social transfers were reduced to almost zero between 2009 and 2011

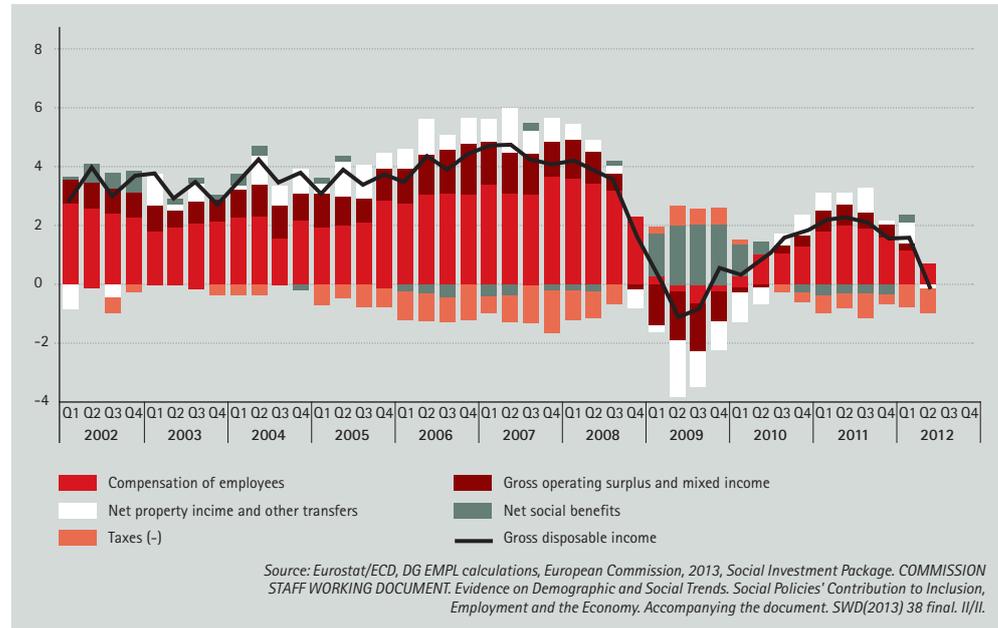
From the mid-1990s until 2007, social protection expenditures in the EU remained relatively stable. In the first phase of the crisis between 2007 and 2009, social protection expenditure grew significantly from 26.1% to 29.4% of GDP, mainly in unemployment benefits, acting as an economic stabilizer. On 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 Disposable Income (GHDl) 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.

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

⁶⁸ 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)



The policy of prioritizing 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.⁶⁹

Cuts in benefits and increases in taxes have eroded social protection since 2009 in those countries in which 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.⁷⁰

→ Major impact on the poorest people

Lower incomes and worsening access to services are more and more evident across Europe Access to health care is worsening

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 to cut expenditure by 5 billion euro. This has an impact on people's income due to the reductions in pensions and changing the rules of granting unemployment benefits. As a result, almost half a million 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 social allowances have been cut in RO according to Caritas RO. For many countries, austerity measures are leading to a contraction or lowering in quality of public services that are particularly important for people at risk of poverty or social exclusion.

⁶⁹ 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*.

⁷⁰ 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)*.

According to UNICEF's report on child poverty⁷¹, 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 to 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 a 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.

Access to health care is worsening

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 of or increase in fees for medical care demonstrates the impact of these austerity measures on access to healthcare. For example, in the lowest income quintile in BE, 27% postpone contact with the health 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 healthcare services and the poorer groups of society are trying to postpone treatments due to a lack of resources. Increased costs relating to healthcare services have also been reported by other Caritas organisations, although these take different forms. In CY, 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.

These out-of-pocket payments for healthcare services are 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 for drugs and services have been introduced. As a result of the increasing number of people who either cannot afford to pay for medical services or are not covered by medical insurance (e.g., migrants in irregular situations), an increased demand for healthcare and outpatient services organized or supported by Caritas organisations is observed in some countries, e.g., SI and IT. However, the continuation of such assistance is also at risk as, for example in RO, the budgetary cuts have also affected subsidies for social pharmacies.

Cuts are affecting the provision of other services

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 healthcare 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 primary health and hospital services.

Budgetary cuts are also affecting access to other services. In the UK, the Government intends to restrict 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% and electricity and gas by 48%. In LU between 2005 and 2011, rental costs increased by a fifth. The cost of living continues to grow in the new MS, while income and wages do not following this trend. In RO, for example, only one fifth of the population earn more than the average salary.

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

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 healthcare will be financed from 2014 with the aim of supporting people suffering chronic illness as well as financing more places in healthcare education and programmes for people with addiction.

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.⁷²

Worsening income situations, increasing costs of living, cuts in benefits and social services lead to situations of extreme poverty which force people to seek assistance from charity organisations. Caritas organisations across the EU report an increasing inflow of people searching for basic assistance and help, which shows that they are at the extreme edge of an 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, such as hot meals, medical assistance and shelter. Caritas RO is also supporting over 15,000 elderly persons with very low pensions. Care centres organized 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. Furthermore, Secours Catholique in FR reports an increasing number of families supported. In terms of assistance granted, the need for support for food and for 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 clothing were the main types of support people sought. In LU, the number of people visiting social groceries as well as the number of homeless people supported by Caritas' wintertime campaign has increased by around one third within the last two years.

⁷² Loc. Cit. Caritas Europa, 2013, *The impact of the European crisis*.

⁷³ 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*.

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

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

The situation of specific groups: Roma and migrants

→ Roma

Caritas MOs continue to express their concerns about the situation of Roma in the EU.⁷³ Following the European Framework for National Roma Integration Strategies⁷⁴, all MSs (except MT) presented their respective National Roma Integration Strategies (NRIS) or integrated set of measures. Nevertheless, as the Commission reported in 2012⁷⁵, 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 increased 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), has high levels of extreme poverty and social exclusion. The Roma are the most marginalized 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:

Roma experience poor living

In BG, about 55.4% of Roma live in urban areas, mainly in neighbourhoods conditions 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.

There is low enrolment of Roma children in schools and segregation

Facilitating access to primary school, promoting continuity into secondary education and avoiding early drop-out is of the 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 have no education, around a quarter have primary education and a third complete 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 of employment.

The employment rate among Roma is low

The unemployment rate of the Roma in BG is 40.8%. In IT, Roma have very high unemployment rates among both men (50%) and 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.

Roma have poor access to healthcare 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 is especially worrying

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 the threat of eviction. They are without the right to accommodation and without opportunities for education and employment due to transition regulations.

Roma are denied basic rights and non-discrimination

In IT, Roma are among the most groups most discriminated against. In BG, the situation is worsening with growing levels of violence being perpetrated against this group.

The Council should endorse the Recommendation on Effective Roma Integration Measures proposed by the Commission⁷⁶ and should monitor its effective implementation, which 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, healthcare, housing and adequate inclusion of the Roma in the mainstream policies.

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's *Shadow Report 2012*, it was reported that the crisis was fuelling growth in xenophobic attitudes and discourses, chastising immigrants for being disproportionately dependent on welfare states and legitimizing the imposition of increasingly restrictive social and benefits policies towards immigrants.

Exploitation, abuse, discrimination and social exclusion of migrants in irregular and regular situations is prevalent

Governments and the EU are making an effort to rationalize and control migration flows. However, although border and internal controls 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 introduced in recent years and the downturn in the sectors traditionally employing migrant workers (e.g., construction) are resulting in the loss of residence permits, which exposes a greater proportion of immigrants to 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 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 migrants are working in sectors European citizens are not interested in working in, especially as a 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, corresponding to 450,000 households. According to Secours Catholique (Caritas FR) the average costs of living for migrants' households assisted by this organization were almost twice as low as those of other 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 fewer problems on the labour market than Italians (their employment

⁷⁶ European Commission, 2013, *Proposal for a Council Recommendation on effective Roma integration measures in the MSs*.

rates are higher) they more frequently experience in-work poverty which, according to Caritas IT, shows that they are not only more frequently employed in the low-paid sectors, but also that their salaries do not correspond 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 who stay long-term after moving to another country and newly arriving migrants. In LU, the at-risk-of poverty rate for Portuguese immigrants is three 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 activities affecting the migrant population have been recorded by local Caritas organisations.

Many refugees are seeking help in EU countries, which calls for concrete action

Temporary employment, in which migrant workers are over-represented (19% compared to 13% on average among 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 marginalization and discriminatory attitudes.

In the opinion of Caritas SE one of the biggest challenges for SE is how to improve the employment situation for newly arrived refugees, particularly those from Syria and Somalia. The number of refugees with low skills and language capacity is increasing in SE. The new reform has been implemented for the last two 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 the 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 significant risk that these refugees may face social exclusion since the national services are not equipped to help them.

In order to counteract growing poverty and social exclusion among migrants their integration should be mainstreamed⁷⁷ 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 the 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, to 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

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

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 been diminished or cut.

Basic rights must be ensured for migrants in an irregular situation⁷⁸, 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 the labour market and to healthcare.

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 be in particular 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 MSs and the EC.

Policies 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 increase irregular migration, especially when removing work permits. In light of a growing proportion 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 legislation. Vocational training programmes and other active labour market measures should be available for migrants in irregular situations.

⁷⁸ Caritas Europa, 2012, *Fundamental rights apply to migrants in irregular situation.*

04 Employment

4.1 Overall situation

The current deterioration of the 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.⁷⁹ 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 jeopardize social cohesion. The proportion of 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 youths is permanently increasing.

As a reaction to these trends, the European Commission highlights the fact 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.⁸⁰

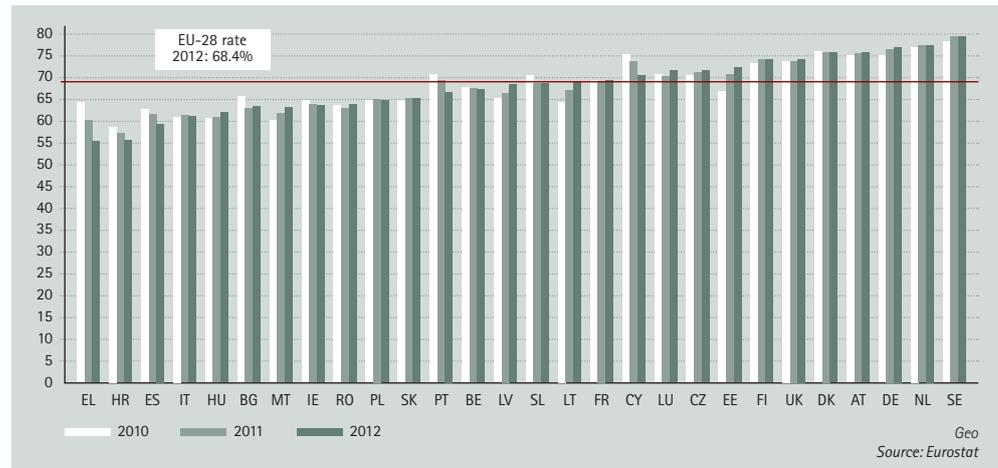
There is an increasing polarization between countries in Europe

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 forecasts for most countries are some distance from this target; 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 note that, in 2012, differences in employment rates reached 24 p.p., with EL having the lowest (55.3%) and SE the highest (79.4%) employment rates.

⁷⁹ Eurostat, July 2013, *Unemployment statistics*.

⁸⁰ *Loc. Cit.* European Commission, 2012, *Annual Growth Survey 2013*.

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



4.2

In-work poverty and labour market segmentation

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

In-work poverty significantly increased in one out of three MSs between 2006 and 2010, not only in countries with poor economies but also in MSs with more resilient economies and labour markets. The 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.⁸¹

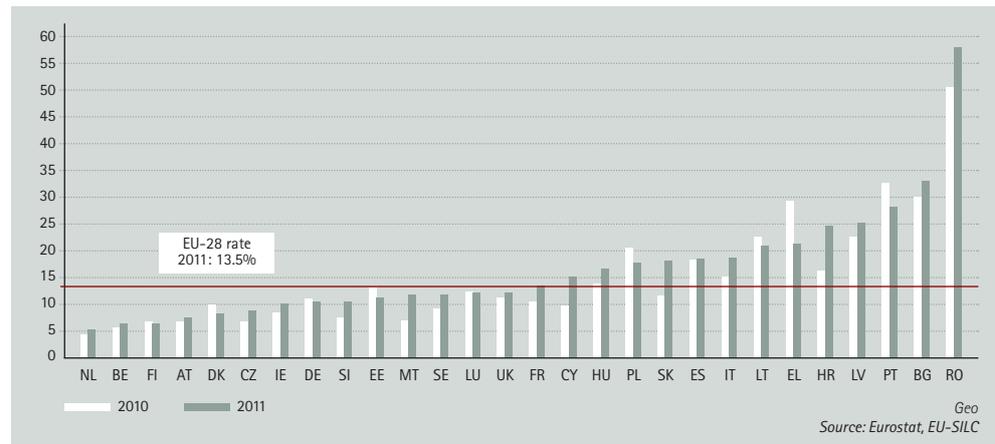
In-work poverty is strongly related to factors such as the duration and the type of contract. Temporary contracts increase the odds of in-work poverty; this is also the case when working part-time, especially for young people.⁸²

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 they obtain employment it is in many cases 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.

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

⁸² European Commission, 2013, *Employment and social developments in Europe 2012*.

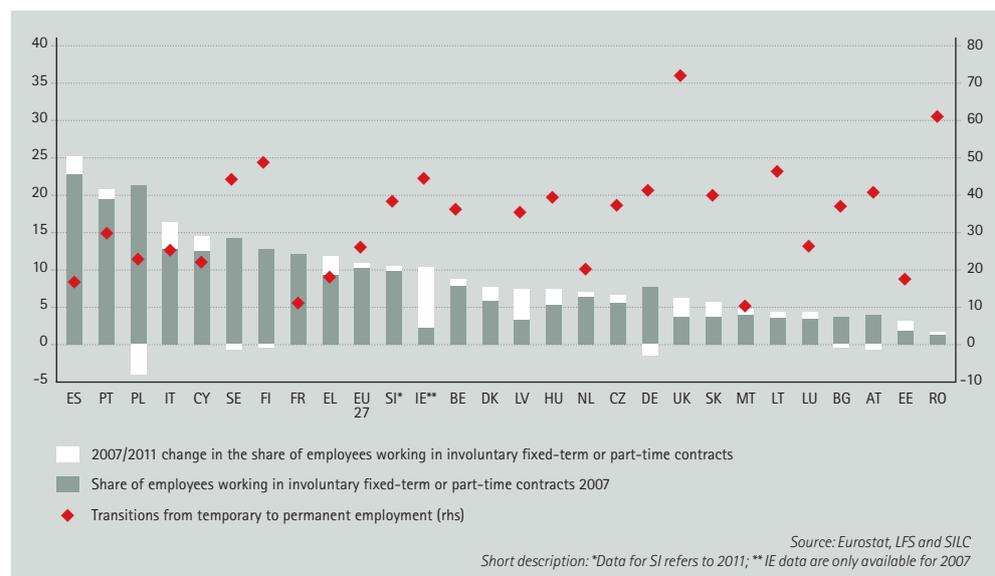
Graph 12 In-work part-time poverty rate in the EU (%)



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 has tended to increase across the EU but is most prevalent in Mediterranean countries and PL.⁸³ 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.

Graph 13 Share of employees working on involuntary fixed-term or part-time contracts (in 2007 and 2011) and transitions from temporary to permanent employment (2010data)



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

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

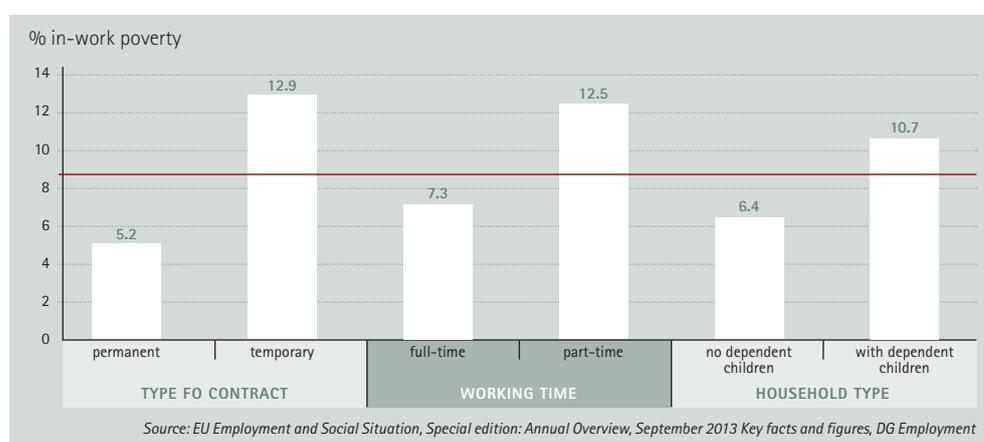
The Annual Growth Survey 2013 has highlighted the need to make the provision of education and training more transparent and efficient, in order to achieve a better match between skills and available jobs and to reinforce synergies between the different training providers. In fact, skills mismatches and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

Undeniably the need to better adjust education and vocational training to labour market demand and to efficiently tackle labour market segmentation requires more complex actions.

The causes, affected groups and necessary policies relating to in-work poverty

Having a job is becoming increasingly insufficient as a guarantee against 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 among youths, 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 supporting social policies aimed at counterbalancing inequalities.

Graph 14 In-work poverty by type of contract, work intensity and household composition



The self-employed are more and more affected by poverty

Several Caritas organisations have reported that in-work poverty is rising among 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 into self-employment is rising due to a lack of other opportunities or employers' attempts to avoid signing traditional employment contracts (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 declare themselves bankrupt. In BE, when closing a business, several administrative payments must be made which are making the ex- entrepreneurs' situation even worse.

Wages are variable and the minimum wage is low in many MSs

The minimum wage in many countries is very low. In BG, the proportion of employees who had earned the minimum monthly wage (290 EUR or 238 EUR after taxes) in October 2012 was 18.5%, while in LT the 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 to decrease them (BE).

Wage inequalities are also observed in DE where around one quarter of all workers have wages below 9.5 EUR per hour. Caritas DE reported that 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 received these low wages and 62.9% of them are women. People with low levels of formal education often receive a low wage (44%). 36.4% of people under 30 have a low wage and 29.9% of people in receipt of them 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 for new jobs to offer a 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 have been implemented such as the solution of paying the living wage as opposed to the minimum wage; for instance the current London living wage is £8.55 per hour as compared to £6.31 for the minimum wage.

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

Growing part-time and temporary employment are negatively affecting the income situation of the employed and their future prospects

In-work poverty is, in most cases, linked to temporary or part-time contracts. Caritas organisations report on the alarming correlation between poverty and the type of contract. They also report a sharp increase in the share of temporary/part-time jobs in the total number of jobs, especially those aimed at young people. Caritas PL informs us that PL has the highest proportion of temporary workers (over 25%) and one of the highest proportions of self-employed in Europe. Some analyses for PL show⁸⁴ that among those possessing permanent work contracts the at-risk-of-poverty rate is 6% while it doubles among those with temporary jobs. It reaches over 26% in the case of those employed on the basis of civil law contracts. According to national statistics examined 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 born in the eighties are employed in atypical forms of employment (temporary, part time, etc.). Meanwhile 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 organization had part-time jobs, while 14% were interns or seasonal jobs and over 8% had full-time temporary jobs. The organization has also noted an inflow of poor entrepreneurs,

⁸⁴ 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.*

which was not observed a decade ago. Precariousness is not only creating poverty but 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. Underemployment is reported to be widespread 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.⁸⁵

Employment opportunities for early drop-out students are limited

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

There is 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. These jobs do not ensure social protection and either fail to entitle workers to receive pensions in the future or otherwise entitle them to only very low level pensions (although this might change with the aforementioned 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 without assessing the risks that may follow in terms of the social protection of employees and the adequacy of their future pensions (BE, DE, LT). In some countries, like PL, many workers are under pressure to dissolve traditional employment contracts and to start working in their former companies as sub-contracted entrepreneurs.

There are 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.

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

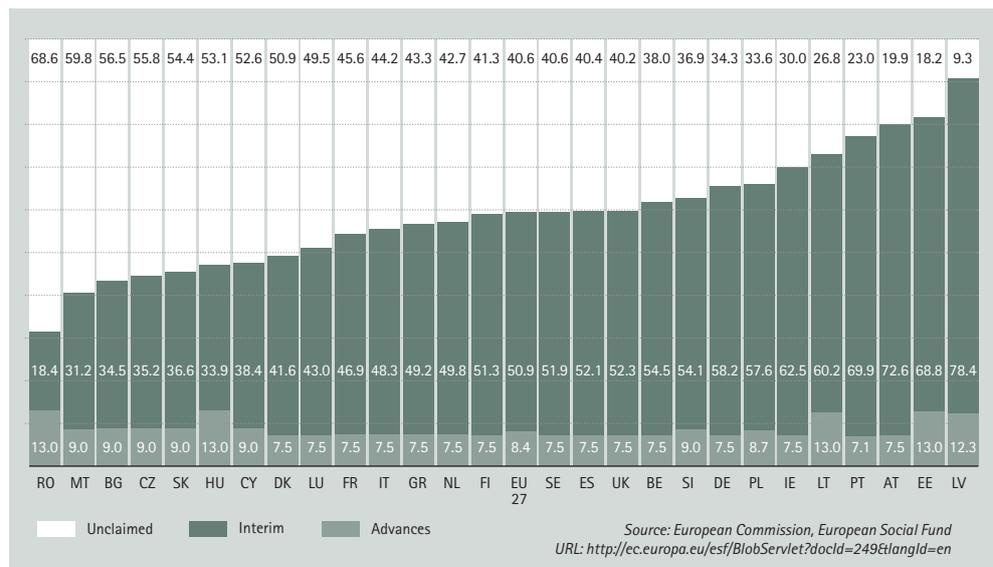
05

The use of EU Funding in fighting poverty and social exclusion

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

According to the latest information (June 2013), 21 MSs 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 nine MSs, 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 MS (31/07/2013)



Access to ESF remains difficult for many social NGOs

In the opinion of Caritas organisations, applying for ESF and implementing projects financed by this fund requires 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. Furthermore financial requirements in the form of advancing payments (e.g., a minimum of 50% in BG), providing their 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 the funding. Many Caritas organisations reported heavy and time-consuming reporting requirements and the need to fulfil the obligation to produce supporting documents (DE, RO, SK, FR, LT, and SI). The mechanisms for controlling projects are not simple and clear. Lack of staff capacity was reported as one of the reasons for not applying for the ESF or not succeeding in this process. In effect, given the competition with 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 of meeting all formalities and acquiring large projects but these are often alienated from the real demands of the people supported, and instead are more focused on meeting the targets defined in the form of project indicators.⁸⁶

Lack of sufficient training and consultancy for the 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 to the ESF according to Caritas organisations. In BG, many of the projects are aimed at increasing the capacities of public institutions, while in RO, the eligibility criteria make NGOs' response to some calls for projects impossible.

The ESF's role in fighting poverty is visible and increasing

Caritas organisations report that the ESF's 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 people, non-self-sufficient, poor people; during the crisis for example a large amount of ESF funds has 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 a 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 spending the funds may result in a reduced focus on the projects' outcomes while in other MSs the tendency to grant 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

⁸⁶ Jadwiga Przewłocka, Piotr Adamiak Aleksandra Zajac, *Życie codzienne organizacji pozarządowych w Polsce*, Warszawa, 2012.

as a result of strategic decisions (e.g., in FR or LT, where the current priority for ESF spending is youth employment, which may leave 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 Employment Fund so that the beneficiaries must be registered as unemployed, which is not applicable to all socially excluded).

Updating, planning and reallocating funds has been a priority for some MSs

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 youths, improving the quality and increasing the number of childcare services, and supporting the non-self-sufficient elderly. The phases also focus on measures to reduce the effects of the negative economic cycle on enterprises and on people (e.g., tax deductions for SMEs in difficulty and for hiring disadvantaged persons, active policy measures for additional income support and measures for helping people in poverty).

→ Improving the future programming period

A high profile for the ESF in cohesion policy and earmarking funds for social inclusion should be ensured

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 MSs should use SF as key instruments for implementing the social dimension of the Europe 2020 strategy and for undertaking social system reform, as proposed in the SIP, with the aim of achieving 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 MSs can use to tackle problems related to 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 inclusion⁸⁷, the overall share of EU resources allocated by the MSs on employment, human capital, health and social policies has decreased since 1989.⁸⁸ The current social and employment conditions in Europe fully justify the contrary approach which should lead to increased spending for social and employment policies, in particular for helping people in the most disadvantaged situations or most 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.

The implementation of SIP proposals as regards to the Structural Funds is to be welcomed

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 CSRs, (iii) promoting children's access to health, education and care services in addition to allocating adequate resources from EU Funds to employment, social inclusion, reduction of inequalities and the accessibility of social, educational and health services. Moreover, the SIP's call to implement coordinated actions with the use of EU Funds to address the multiple needs of disadvantaged groups – including the poor – is also strongly appreciated.

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

⁸⁸ European Commission, 2013, *Social Investment Package*, p.16.

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

- 1 | The European Commission should ensure a coherent approach in addressing the issues related to 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, youths and the working population, as well as among the Roma and migrants should be tackled with the use of EU Funds.
- 2 | Therefore in order to adequately tackle the existing challenges related to poverty and social Exclusion, which are spreading across Europe and affecting more and more different groups, the ESF Thematic Objective number 9, namely "promoting social inclusion and combating poverty", should be reflected in future ESF OPs. A minimum allocation of 20% from the ESF should be allocated to this Objective.
- 3 | 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 marginalized communities such as the Roma; (iii) Enhancing access to affordable, sustainable and high-quality services, including healthcare and social services of general interest; (v) Promoting the social economy and social enterprises.
- 4 | 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) Supporting the physical and economic regeneration of deprived urban and rural communities; (iii) Supporting social enterprises.
- 5 | 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 consistency between the CSRs and the specific provisions of the ESF programmes in order to ensure that poverty and social exclusion challenges identified in the CSRs are 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 CSRs and SIP.
- 6 | MSs should by all means simplify the process of implementation of EU funds, notably through simplified operations and other forms anticipated in the draft regulations. The civil society organisations should be recognized as reliable partners in the planning process (at the stage of preparation of the Partnership Agreements and Operational Programmes) and in implementing the EU Funds targeted at helping vulnerable groups. Their engagements in partnership projects, as well as the specific budgets for projects implemented by NGOs, should be considered.

06

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 have at least 20 million fewer people in or at risk of poverty and social exclusion by 2020 but 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, but 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 creating conditions for job recovery. It seems to limit such conditions to flexible working-time arrangements, reducing the tax burden on labour and conditioning the granting of unemployment benefits.

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 on MSs 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 to poverty reduction. In the meantime, the share of the total population experiencing poverty and exclusion has increased in the 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 challenges of poverty and social exclusion are still not being addressed in the CSRs to an appropriate extent. In 2013, only nine countries were issued with CSRs addressing poverty and social exclusion although the share of people living in poverty and social exclusion increased in the majority of the EU countries while in 13 MSs 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 with "poverty related" CSRs. However, the situation had already been rather severe by that time. Among these CSRs, a 100% increase of CSRs 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.

The number of "poverty-related" CSRs 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 examine more closely the contents of CSRs 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 in only one case has the problem of in-work poverty been addressed.

Some population groups in the EU were particularly affected by the crisis. One of them is migrants. Unfortunately, only in the case of BE was a Recommendation on implementing an Active Inclusion Strategy helping migrants adopted. A few other countries were invited to increase employment opportunities for 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 CSRs 2013 adopted by the Council

Some Recommendations are welcomed

Caritas organisations welcomed the CSRs referring directly to:

- ➔ fighting poverty and social exclusion (though absent for most MSs), especially those where the needs of specific groups are addressed in the Recommendation.
- ➔ improving the educational achievement of disadvantaged people and enhancing the provision and affordability of childcare and out-of-school care.
- ➔ increasing employability through: (i) the activation and integration measures for the long-term unemployed, especially those aimed at integrating the long-term unemployed and transforming precarious jobs (mini-jobs) into more sustainable forms of employment; (ii) 1} giving higher incentives for second-earners and the availability of fulltime childcare facilities; reducing low levels of education and the lack of skills of young people.
- ➔ pursuing the fight against tax evasion, combating tax fraud, improving tax compliance and taking steps against the shadow economy and undeclared work.

Some recommendations risk 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 in structural poverty rates and are

decreasing 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 aimed at (i) reforming the wage setting system which could risks decreasing disposable income; (ii) recapitalizing financial institutions if the non-accountability of companies causing financial problems is harming to the system rather than delivering a solution.

Some recommendations may have positive or negative effects depending on their interpretation or implementation

Some of the CSRs are recognized by Caritas organisations as **having potentially 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.** These may have negative impacts if the pressure towards longer careers does not take into account the health status of workers.
- ➔ **Increased competition in some sectors, which could result in significant job losses and ultimately reduce the quality of services and increase fees.** This would increase 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 CSRs should be carefully analysed against the potential risks of delivering results that may be 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 may be misinterpreted. This may concern CSRs calling for:

- ➔ **Reviewing the tax system and considering 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). These measures may have positive effects although they may have a negative impact on the poorest people if the issue of increasing energy prices are not addressed in a proportional way.
- ➔ **Reforms of 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 the availability, accessibility, affordability of services, guaranteeing equal access and individual rights when implementing cost-effectiveness measures of healthcare, reforming the judicial system, education and other public services.

The lack of CSRs for Programme countries is a cause for concern

Finally, as was the case last year, the countries under "adjustment programmes" were not issued with 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.⁸⁹ 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 given that 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 relating 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.

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

07

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.⁹⁰ 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. This dialogue should not be restricted to the planning phase but should cover the entire policy cycle of the process (planning, implementation, monitoring, evaluation and overall communication strategy).⁹¹

The lack of consultation or limited or inefficient consultation with civil society when drafting NRPs presents problems

Both the 2011 and 2012 editions of this report identified that consultation was lacking, or was limited or inefficient, when carried out by MS when drafting their NRPs. Putting in place participatory structures and providing adequate time for stakeholders to respond to the consultation and the need for a more consultative approach were recommended as a result.

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 2013.⁹² 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 increase of almost 100% compared to spring 2006.

Civil society Engagement should be one of the core measures to trend of reverse the decreasing trust in the EU

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

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

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

⁹² European Commission, 2013, *Standard Eurobarometer 79, Spring 2013, Public opinion in the European Union first results*.

Given that neither the AGS nor the CSRs are subject to 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 the involvement of CSO in NRP development since 2011, some progress was observed in terms of consulting the NRPs in 2013. However, many significant problems remain, including: lack of sufficient time for consultation, a very formal approach to consultations and lack of feedback to the CSO on the reasons for 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 directly influenced by those affected by such policies.

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 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. MS reporting on this should be the subject of the 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 encouraging fuller participation.

Civil society engagement should be perceived as an important factor for the successful implementation of 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

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

List of acronyms and abbreviations

AGS	Annual Growth Survey
AROPE	At risk of poverty or social exclusion
CSO	Civil Society Organizations
CSR	Country-specific Recommendation
EC	European Commission
ECB	European Central Bank
EFSM	European Financial Stabilization Mechanism
EFSF	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 Organization
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

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

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Jorge Nuño Mayer
Secretary General



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For more information see:
<http://ec.europa.eu/progress>

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