

EUROPE 2020  
SHADOW REPORT



EDITION 2014

A photograph of a woman holding a young child on a sidewalk, overlaid with a red tint. The woman is looking down at the child. The background shows a brick building and a metal railing.

EUROPE 2020:  
WHERE ARE WE NOW AND  
WHAT WAY FORWARD?

5 YEARS AFTER COMMITTING TO POVERTY  
REDUCTION & EMPLOYMENT GROWTH

PROPOSALS FOR THE ANNUAL GROWTH SURVEY,  
COUNTRY SPECIFIC RECOMMENDATIONS AND NATIONAL POLICIES.  
CARITAS RECOMMENDATIONS FOR EUROPE 2020 MID-TERM REVIEW.

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**Disclaimer:** All references to Eurostat data in this report are based on official figures available in October 2014.



This event is supported by the European Union Programme for Employment and Social Solidarity - PROGRESS (2007-2013). This programme is implemented by the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment, social affairs and equal opportunities area, and thereby contribute to the achievement of the Europe 2020 Strategy goals in these fields. The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA-EEA and EU candidate and pre-candidate countries. For more information see: <http://ec.europa.eu/progress>

# Preface

March 2015 marks 5 years from the adoption of the Europe 2020 Strategy, which made fighting poverty and social exclusion an “EU commitment”, as expressed by the member states of the EU when they agreed on the target of lifting at least 20 million people out of poverty and social exclusion by 2020.

In recent years, the EU drifted away from this commitment. Between 2009 (when the Strategy was drafted) and the end of 2012, the number of people experiencing material deprivation, living in jobless households or at risk of poverty increased by 10 million and reached 124 million people. The implication was that in several years the number of poor expanded by figures equal to medium size EU countries, such as Belgium or the Czech Republic.

There are many explanations and analysis on why Europe 2020 did not deliver. Financial and economic crises are playing a key role in the current discourse. Indeed, the economic downturn made severe consequences on the labour markets, especially in the countries of sensitive and less stable economies. The GDP diminished in many Member States and there are no forecasts showing that Europe will soon be back on the fast economic growth track. In the meantime, when waiting for the first symptoms of economic recovery, poverty expands onto new groups of society, with more and more young people confronted with low opportunities when it comes to finding decent and stable employment. Many are postponing decisions to start living independent of parents or beginning their own families. At the same time, more families with children, already poor, have lost any hope that their situation may change.

It is therefore important to recall that the Europe 2020 Strategy, when it was launched, was a frontrunner in advocating a growth model, expanding beyond merely increasing GDP. Inclusive growth was, at that time, considered a crucial element of economic development. The policies applied in the subsequent years, however, have shown contrary results: some EU Member States have been pursuing strict retrenchment or austerity policies on the basis of ‘Troika’ programmes in return for financial assistance. As a result, countries like Greece, Ireland, Portugal or Cyprus were not issued any Country Specific Recommendations on how to tackle poverty and social exclusion. In practical terms, they have been excluded from the monitoring of their progress toward poverty reduction and employment growth. Moreover, the Annual Growth Surveys published every year by the Commission did not prioritise fighting poverty at equal footing with other recommendations proposed by the Commission.

Six years since the beginning of the crisis in 2008, there is very little growth and, in contrast, there are enormous debt levels, huge numbers of unemployed, and millions of people living in poverty. Simultaneously, social protection systems are under strain, resulting in gaps in protection systems, leaving many people in abject situations. Cuts to public services are also disproportionately affecting lower-income groups and the life-chances of many children are adversely affected by the combined effects of the more precarious working situations (of their parents), as well as cutbacks in benefits and reductions in key services.



This is not the inclusive growth approach agreed upon in the Europe 2020 Strategy. As documented in this edition of the Caritas Europa Shadow Report, evidence suggests how far Europe is from reaching its objectives of inclusive growth. The analysis of figures confirm the dramatic situation. But analysing reality only on the basis of data and statistics does not provide the full picture. This Shadow Report is compiled from the perspective of organisations working on the grass-roots levels with those in need. Caritas staff and volunteers know that there is a personal story behind each individual facing poverty. As such, this publication shares accounts and provides insight into how people became poor and excluded throughout Europe, providing testimonies of how difficult it is to break out of such situations of vulnerability. Personal testimonies illustrate various deficits in the social protection systems, and indicate the impacts of imposed budgetary cuts as part of the austerity programmes and the worsening economic situation on the lives of individuals. Caritas staff members are confronted daily with the personal testimonies of the millions they serve. This report, therefore, gives a voice to the many poor and vulnerable across the European Union.

The report identifies main challenges that should be immediately tackled in order to reverse the worrying trends of growing poverty and social exclusion. It provides more in-depth analysis of specific dimensions of poverty, such as family and child poverty, youth poverty and poverty among working people. It also presents the causes of difficult situations of people affected by the above phenomenon. Finally, it presents feed-back on the impact of cuts in social protection and social services on the situation of vulnerable groups.

Caritas Europa believes that the European Semester has a potential for making Europe more socially responsive and inclusive. The report, therefore, presents concrete recommendations for policies and actions that should be applied when implementing the next European Semesters, including its core elements, such as the Annual Growth Surveys and Country Specific Recommendations, on which the European Commission has an important role to play. These recommendations further highlight how different EU and Commission's initiatives, like the Social Investment Package or Youth Guarantee could better feed into the European Semester process and how they can be shaped and monitored in order to ensure their efficient contribution to the Europe 2020 social targets.

There is still half a decade left to make Europe more social. This won't happen without the joint effort of all institutions and stakeholders. Europe 2020 should be a basis for this process, while the European Semester should serve this goal. In this vain, we fully support European Commission President Jean-Claude Juncker's commitment to prioritizing the fight against poverty and believe that social impact assessments should be a precondition for proposing any reforms and that fiscal sustainability should not be achieved at the expense of poverty reduction. Caritas Europa is committed to supporting EU and national politicians in reaching this goal.



**Jorge Nuño Mayer**  
Secretary General

# Executive summary

<sup>1</sup> Available here:  
<http://www.caritas.eu/about-caritas-europa/publications>

<sup>2</sup> The Annual Growth Survey (AGS) launches the annual European Semester (Europe 2020 process) by setting out the broad EU economic priorities for the year to come. It is the first step in the annual cycle.

<sup>3</sup> Country-specific recommendations (CSRs) offer tailored advice to Member States on how to boost growth and jobs, while maintaining sound public finances. They are published every Spring, following months of analysis by the Commission. They focus on what can realistically be achieved in the next 12-18 months to make growth stronger, more sustainable and more inclusive.

<sup>4</sup> National reform programmes, submitted annually in April, contain the elements necessary for monitoring progress towards the Europe 2020 national targets for smart, sustainable and inclusive growth.

<sup>5</sup> The European Union has set up a yearly cycle of economic policy coordination called the European Semester. Each year, the Commission undertakes a detailed analysis of EU Member States' plans of budgetary, macro-economic and structural reforms and provides them with recommendations for the next 12-18 months.

This report focuses on the progress of the Europe 2020 Strategy in the areas of poverty and employment from the perspective of Caritas Europa and its Member Organisations (MOs). The paper has been drafted based on the information provided by 27 MOs as well as the network's daily experience in working with the most excluded people in the EU. Furthermore, it presents other relevant sources that stress Caritas Europa's arguments. The report also takes into account findings from previous years' Caritas Europe Shadow Reports (2011, 2012 and 2013)<sup>1</sup>.

The report makes recommendations on the issues that should be specifically addressed in the AGS<sup>2</sup>, CSRs<sup>3</sup> and NRPs<sup>4</sup> in order to increase the chances of achieving the Europe 2020 targets on poverty reduction and employment. Among them the key targets are: child and family poverty, tackling the consequences of the austerity measures' impact on access to services and social protection, poverty among youth as well as in-work poverty. It also provides information on how specific EU initiatives, such as the Recommendation on Investing in Children, Roma Integration Strategies or the Youth Guarantee, are developing in practical terms in the different Member States (MSs), and how EU funds, notably the European Social Fund, are contributing to the entire process.

At a time close to the Europe 2020 Strategy's milestone being reviewed, Caritas Europa highlights the lack of progress on the employment target and expresses its concern about the poverty target further distancing itself from its objective: since 2010, poverty and social exclusion have in fact grown all across Europe. **Achieving the Europe 2020 social objectives will not be practicable unless substantial changes are undertaken as soon as possible.** Furthermore, daily experience in the field and data provided by Caritas MOs, demonstrate that sometimes official statistics neither reflect the deepening forms of poverty and social exclusion in the EU (particularly extreme forms of exclusion) nor the deterioration of the labour market situation and its dramatic consequences.

Caritas Europa observes with growing concern that **the Europe 2020 Strategy does not appear to be a relevant driver for national policies** and that, unfortunately, for many MSs it represents little more than just a paper exercise with very little relevance at national level. Furthermore, during recent years, austerity measures have been driving the core EU policies, and a severe deterioration of the labour market situation (e.g. unemployment, in-work poverty) has further fuelled poverty and social exclusion. The Europe 2020 targets related to the latter have had little relevancy in the European Semester Process<sup>5</sup> and are not being translated into effective measures by MSs.

# General Recommendations

Caritas Europa calls for a radical change in the implementation of the Europe 2020 Strategy. While the overall Europe 2020 objectives continue to be adequate what needs to change is the way they are pursued by the EU Member States – a process that would require stronger engagement at national level combined with more support from European Institutions. The issues listed below should be addressed by the European Commission and the European Council both when revising the Strategy in the Mid-Term Review<sup>6</sup> and when implementing the new European Semester 2015:

- 01 The Strategy will not deliver if it is dominated by economic drivers and without putting society and social Europe on the same footing. **Social objectives of the Europe 2020 Strategy need to be at the heart of EU policies** as the only way to restore the confidence of the citizens, to reverse the current negative trends and to achieve social justice.
- 02 The European Institutions and the member states should ensure that the **Europe 2020 Strategy has a supervisory role**, meaning that other EU programmes and initiatives should contribute to achieving the Europe 2020 goals, including the social goals. This would mean that the European Commission should pay more attention to those countries where national programmes and policies are not in line with the Strategy. Moreover, any EU-led initiatives and mechanisms (like Fiscal Compacts, the Stability Pact or "Troika programmes") should not impose any measures that could harm the chances of achieving the Europe 2020 social objectives.
- 03 In order to achieve the Europe 2020 poverty targets, **comprehensive multi-dimensional measures should be undertaken** by the Members States (equitable fiscal systems, a minimum income, social services and social support such as housing and childcare) in line with the implementation of the Social Investment Package<sup>7</sup> and through targeting specific needs.
- 04 Moreover, **economic and employment growth cannot be achieved by creating unstable and precarious jobs**. Therefore, an assessment of policies leading to unemployment decrease must take the issue of job stability into consideration by the EU Institutions and the MS when proposing and implementing the reforms. Growth-oriented policies should aim at developing a growth that all members of societies can benefit from. It must not lead to growing internal discrepancies and weakening social cohesion, resulting in vulnerable groups getting poorer and the rich getting richer.
- 05 The Europe 2020 headline targets on poverty and social exclusion should be broken down into specific priorities, such as **Child Poverty, Youth Poverty and In-work Poverty**. There should be a transparent process of selecting indicators and targets in order to ensure their adequacy and to avoid choosing indicators and national targets that are easily achievable and do not reflect the reality of the problems.

<sup>6</sup> See more here:  
[http://europa.eu/rapid/press-release\\_IP-14-504\\_en.htm](http://europa.eu/rapid/press-release_IP-14-504_en.htm)

<sup>7</sup> See more here:  
<http://ec.europa.eu/social/main.jsp?langId=en&catId=1044&newsId=1807&furtherNews=yes>

## Practical solutions that should be applied by the EU Institutions and EU Member States:

- 01 The Annual Growth Surveys (AGS), produced every year by the European Commission, should focus on the long-term social objectives of the Europe 2020 Strategy and on **building adequate and effective social protection systems** that include dimensions of both investment and protection. The AGS should also better integrate EU Initiatives, for example, the *Social Investment Package* or the *Roma Integration Strategies*<sup>8</sup>, thus aiming to ensure their proper implementation at national levels with the use of all tools and instruments available to the Commission (such as EU Funds 2014–2020 and Country Specific Recommendations).
- 02 Recommendations and Guidelines produced within the European Semester Process (framed into Country Specific Recommendations that are endorsed by the Council and the AGS) should **not result in any reduction in access to adequate levels of social protection** and access to social services. Therefore, the social impact assessment, including the long-term consequences of the recommendations, should be mandatory when drafting the AGS and CSRs. This concerns especially those recommendations requesting fiscal consolidation measures.
- 03 The European Commission should introduce a mechanism to have the **policy initiatives revised and adjusted immediately** (e.g. when their expected impact on tackling unemployment is not sufficient or whenever they are identified as causing higher poverty and unemployment); and ensure more up-to-date statistics are put in place on all of these indicators (i.e. by Eurostat and national statistics' agencies).
- 04 There is the need for more specific CSRs focusing on the **fight against poverty** and the promotion of social inclusion and on strengthening social protection. The prevailing trend of CSRs that promote the uncompromised achievement of economic objectives and financial consolidation at the cost of social inclusion targets (e.g. reducing public expenditure resulting in weakening public services, or strict rules regarding the expenditures as defined in "Troika programmes" affecting the potential of public investment in creating jobs) should be avoided.

## Issues of particular attention

- 01 **Family and child poverty** should be a major matter of concern for EU institutions and for MSs in the next years, as the current trend puts the well-being of future generations at risk. The AGS should make the fight against child poverty one of its priorities and the issues of family friendly taxation, supporting families in a non-discriminatory manner (through ensuring benefits for every child), responding to special needs of the migrant families and ensuring adequate family care arrangements should be reflected in the AGS. All MSs should be asked to include a specific section in their NRPs outlining their key priorities for implementing the EU's *Recommendation on Investing in Children*<sup>9</sup> as well as reporting on their progress. Social services, like child or family care, should **not be outsourced to providers that are selected only on the basis of cost**; the criteria should put the quality and sustainability of the services on equal footing when assessing the offers made by the providers.

<sup>8</sup> See more here: [http://ec.europa.eu/justice/discrimination/roma/eu-framework/index\\_en.htm](http://ec.europa.eu/justice/discrimination/roma/eu-framework/index_en.htm)

<sup>9</sup> See more here: <http://ec.europa.eu/social/main.jsp?catId=1060&langId=en>

02 | The lack of employment opportunities for young people, an increase in temporary jobs, together with the lack of adequate training and insufficient social support are putting young people at a higher risk of poverty and precariousness. As a result, their potential and future contribution to society is undermined. The *European Social Fund* and *Youth Guarantee*<sup>10</sup> programmes should be implemented without delay and complementary national programmes should be adopted where necessary; the MSs should maximise efforts to ensure that the above delivers results for young people with lower education levels and/or at higher risk of poverty and social exclusion. The European Commission should make certain that the EU-funded programmes do not contribute to the creation of unsustainable and precarious jobs.

03 | The current deterioration of the labour market (low-paid and precarious jobs) needs to be counteracted in order to avoid increasing in-work poverty. The minimum wage should be promoted and increased to adequate living standards; tax reforms and social contribution systems should be reformed to ensure that they do not penalise the working poor; decent working conditions should always be guaranteed. Promoting self-employment, social enterprises and business start-ups should be aligned with supportive policies and systems aimed at reducing poverty risk and the trap of precarious employment.

Individual support measures for accessing employment, including social support measures, should be guaranteed to people with fewer qualifications, people at risk of exclusion and vulnerable groups. However, such measures should target those who can work and should not replace the application of other measures of *Active Inclusion*,<sup>11</sup> such as an adequate income and access to services. Promotion of labour force mobility should be complemented by specific solutions ensuring adequate social protection of those who abroad and lose their jobs.

04 | National Roma Integration Strategies should include specific objectives in the four key areas (i.e. access to education, employment, healthcare and housing) and should be effectively implemented at local level by allocating specific responsibilities and resources. The European Commission should strengthen measures to support and monitor the MSs in this regard.

05 | EU Structural and Investment Funds 2014–2020 should be more effective in the promotion of social inclusion. The European Commission should monitor whether related Operational Programmes include appropriate measures and operations as well as corresponding indicators and economic resources; and the participation of civil society in the entire process should be guaranteed.

## Better transparency of the process

The EU Institutions and the MS should strengthen the civil society and other stakeholders' engagement in the Europe 2020 Strategy at national and European levels; a discussion of NRPs in national parliaments and consultations with civil society should be introduced as compulsory requirements. Civil society organisations and the European Parliament should have more impact on the contents of the AGS before its approval.

<sup>10</sup> See more here:  
<http://ec.europa.eu/social/main.jsp?catId=1079&langId=en>

<sup>11</sup> See more here:  
<http://ec.europa.eu/social/main.jsp?catId=1059&langId=en>



# 01 The Europe 2020 Strategy is not delivering

## 1.1

### Assessment of the impact of the Europe 2020 Strategy in Member States

Table 1 Evolution of Europe 2020 Indicators

Indicator	Objective	2009	2010	2011	2012	2013
People at risk of poverty or social exclusion	Lifting at least 20 million people out of the risk of poverty or social exclusion.	---	118 085 (23.7%)	121 543 (24.3%)	124 488 (24.8%)	122 600 (24.5%)
Employment: population aged 20-64 employed	75%	69%	68.5%	68.5%	68.4%	68.4%
Education: share of early school leavers	Under 10%	14.2%	13.9%	13.4%	12.7%	12.0%
Education: population of 30-34 years old that should have completed a tertiary or equivalent education	At least 40%	32.3%	33.6%	34.6%	35.8%	36.9%

After four years since its introduction, many Caritas MOs continue to observe that the Europe 2020 Strategy is not a relevant driver for their respective national policies and that, unfortunately, it is merely a paper with limited importance. This perception is caused by (i) under-ambitious targets set up at national levels in some MSs that were easy to achieve and could, in any event, have been achieved without the Strategy; (ii) low importance and visibility of the Europe 2020 process as a driver for national reforms and policies as well as an argument used in public discussions; (iii) using solutions that are contradictory to the Europe 2020 objectives and applying formal mechanisms that exclude some MSs from full participation in the process shown by the lack of CSRs for those countries under the Troika programmes; (iv) low importance of CSRs in terms of their potential impact on national policies; (v) lack of transparency in the European Semester Process, both at the EU and national levels; (vi) lack of coherency among the EU Flagship Initiatives<sup>12</sup>. For some Caritas MOs, the Strategy represents a common understanding of a general direction in which European policies should go, helps to put social issues on the political agenda and makes policy processes more transparent, although effective measures still appear to be lacking. More guidance is needed here from the EU.

<sup>12</sup> Within each initiative, both the EU and national authorities have to coordinate their efforts so they are mutually reinforcing. See more here: [http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/flagship-initiatives/index\\_en.htm](http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/flagship-initiatives/index_en.htm)

Regarding the achievement of the different Europe 2020 Objectives, diverse trends can be observed across the EU, and these trends strongly depend on specific situations and targets set in each country. A particularly worrying trend is apparent in the cases of poverty and employment targets: instead of the desired progress, the poverty indicators have worsened significantly while unemployment remains on the rise. The overall statistics do not reflect the dramatic deterioration of living conditions nor the deepening poverty and its consequences faced by an increasing number of people (e.g. in CZ, EL, ES, IT, UK).

There is an urgent need to balance Europe 2020 priorities. Firstly, society and social Europe need to be put on the same footing as the economy. Secondly, there is a need for substantial progress in setting adequate targets by introducing new priorities and breaking down the current targets into specific priorities, such as Child Poverty, Youth Poverty and In-Work Poverty.

As to policy-making, a stronger engagement in the process at national level is of absolute importance: although the process of consultation is improving in some countries (e.g. a Platform in AT, an Alliance in IE and a consultative group in LU), discussions of NRPs in national parliaments and consultations with civil society should be introduced as compulsory requirements in the Semester Process.

## 1.2 Evaluation of the 2014 Country Specific Recommendations

Based on their evaluation of the CSRs presented by the Commission in June 2014<sup>13</sup>, Caritas MOs still observe the unfortunate prevailing trend of CSRs that promote the uncompromised achievement of economic objectives and financial consolidation at the cost of social inclusion targets (e.g. reducing public expenditure resulting in the weakening of public services and increasing poverty and social exclusion).

However, in 2014, some CSRs appear to include new aspects that could be considered as improvements compared to previous years. For instance, some countries received specific recommendations on social inclusion for the first time; nevertheless, some of these still lack important concrete components (e.g. addressing all pillars of active inclusion, such as ensuring adequate minimum income and access to affordable quality services; addressing the problem of low-paid and indecent employment as critical factors linked with child poverty; addressing youth unemployment, and the creation of decent employment simultaneously).

On the other hand, explicit recommendations that encourage the implementation of the Social Investment Package (SIP) – including the effective use of foreseen EU funds – are, surprisingly, still missing. This year, most countries affected by high levels of under-spending have been issued CSRs that encourage a faster absorption of EU funds. While such CSRs are generally welcomed, many Caritas MOs would further welcome more concrete CSRs that encourage the application of specific SIP recommendations and guidelines and adequate use of EU Funds for combating poverty and promoting social inclusion.

At the same time, some countries have received recommendations addressing different groups experiencing poverty which have also been identified as high-risk groups by Caritas MOs, such as children and families, young people as well as the working poor. Caritas Europa therefore welcomes CSRs that specifically address these groups and suggests a further enhancement of recommendations by directly referencing Social Investment Package recommendations and financial tools.

<sup>13</sup> See here: [http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index\\_en.htm](http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm)

Several MOs have identified a number of CSRs that could have a positive impact on the situation of people at risk of poverty and social exclusion as well as on the employment situation in their respective countries. However, many MOs stressed that these effects could only be achieved under certain conditions which were mostly not defined in the CSRs. For instance, recommendations on ensuring the long-term sustainability of the public pension systems is generally welcomed but must take into account different types of work (e.g. levels of stress, hardship, health risks etc.) when calling for increases to the pension age. On the other hand, most MOs agree that CSRs suggesting an increase in environmental taxation (without any further specifications or conditions) would have a direct and aggravated impact on people at risk of poverty compared to people who do not experience such circumstances.

Critical concerns have been expressed about recommendations focusing on the recapitalisation of banks should this approach be followed by using public funds. Whilst the reform of public administrations – especially local administration – is generally considered as a recommendation with potential positive impacts, there are concerns that the consequences of this reform may have a negative impact on the availability and quality of social services.

Some MOs have highlighted concerns about the wording of some CSRs, as they gave room for a wide interpretation that would allow MSs to claim that these recommendations had been implemented accordingly, when this may not necessarily have been the case.

CSRs that are positively welcomed – given that they would be implemented correctly – include recommendations on strengthening female labour market participation by enhancing the provision of child-care facilities, flexible work arrangements and the provision of incentives and benefits; increasing the effectiveness of policies that address youth and long-term unemployment through a variety of simultaneous measures including the introduction of adequate minimum wages; measures to reduce early school leaving and to improve access to high quality and inclusive education for marginalised communities, including the Roma.

Overall, Caritas Europa organisations stress the need for more CSRs that directly focus on the fight against poverty and the promotion of social protection and social inclusion. It is therefore of utmost importance for future CSRs to recommend that governments implement SIP ideas, such as the Recommendation on Investing in Children or the Recommendation on Establishing a Youth Guarantee, to focus on the quality of child-care services and not only on their cost-efficiency, to reform social protection systems by linking income support with labour activation, to create decent and sustainable jobs, especially in the context of the Youth Guarantee, to call for immediate actions aimed at counteracting extreme forms of poverty, and to implement comprehensive social inclusion strategies.

### 1.3

## The use of the ESF and the programming of new funds

Applying and implementing projects financed by the European Social Fund (ESF) continues to be a concern among Caritas MOs. Access to the ESF has remained limited and complex for many social NGOs. As reported in previous years, the involvement of CSOs in ESF-funded projects has remained very limited in many MSs; a consequence for which several reasons exist:

- ➔ Excessive financial requirements, such as advanced payments, the high co-financing required, and guarantees.
- ➔ Audit criteria which were open to interpretation (not always simple and clear, and often changing from year to year), which can cause financial difficulties when the projects are audited.

- ➔ Reporting requirements that are often too complicated, time-consuming and therefore costly.
- ➔ Lack of staff capacity and training or inadequate access to affordable consultancy services.
- ➔ Increasing competition with other stakeholders – especially from the for-profit private sector – which often has an impact on the quality of projects; while at the same time, the winning companies from private sectors often rely on NGOs to reach their target group once they have to implement the project.
- ➔ In some cases, eligibility criteria make NGOs' response to some calls for projects impossible.
- ➔ Poor sustainability of projects as they are often based on short-term implementation cycles, which hinder the continuity and the impact of measures to be undertaken. Normally, there is a lack of strategic and long-term planning.

### Testimony

*“Labour Offices offer computer courses to uneducated people who cannot even write. These are people who completed the fourth grade 20-30 years ago. They don't even know how to write their own names, and are supposed to be trained to work with computers. Besides, even if they learn something, what is the use: the programme ends and they are on the street again, as the training is not tied to employment opportunities in any manner. Funds under the programme are [simply] spent and accounted for. The only beneficiary in this situation is the company that conducted the training. Persons who undertook the course are even more demotivated – they either have not understood anything or, even if they have learned something, they once again ask what the use is of education anyway.”* – a Caritas employee in Bulgaria

<sup>14</sup> European Commission 2008, Commission Recommendation on the active inclusion of people excluded from the labour market. Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32008H0867&from=EN>

<sup>15</sup> creaming – situation when the projects target mainly the groups that are easily placeable on the labour market at the expense of investing in more vulnerable groups that would require more costly and long-lasting services

<sup>16</sup> European Commission 2014, European code of conduct on partnership in the framework of the European Structural and Investment Funds. Available at: <http://eucis-III.us5.list-manage.com/track/click?u=e0ba59dcb487a8983ceda27d9&id=6bd3fd187a&e=c9da669d35>

A variety of Caritas MOs have described positive examples from their countries where the ESF has been used for social inclusion; however, this has not always been in a comprehensive manner (e.g. IT, IE, LV). Despite these observations, many Caritas MOs highlight that numerous **active inclusion measures have been unbalanced** and not in line with the Commission's Recommendation on *Active Inclusion*<sup>14</sup>. Similar observations can be made about many Partnership Agreements and draft Operational Programmes of the new programming period which have kept an excessive focus on employment without taking into account the other two pillars of active inclusion – adequate income support and access to quality services; and this is most likely going to have an impact on future measures (IE, LT, LU, LV, MT). According to previous experience, this increases the possibility of 'creaming'<sup>15</sup>, as interventions tend to focus on people closest to the labour market – either in training or employment – whereas those furthest away from the labour market are left behind (IE, IT, LT, LU, LV, MT, RO).

Although some Caritas organisations report an acceptable dialogue with partners in the planning process of the European Structural and Investment Funds (ESIF) 2014–2020, **participation of NGOs in the new programming cycle is not widespread amongst Member States**. This undermines the effective implementation of the *Code of Conduct*<sup>16</sup>. In most cases, dialogue with NGOs has been insufficient – many were either not involved or involved at the last minute. In addition, their comments were often not reflected in later versions of documents. It is worth highlighting that in many cases, CSOs were more actively involved in the planning of Partnership Agreements compared to their involvement in the planning of Operational Programmes, for which the consultation processes were less transparent or less open to participation.



# 02

# Increasing inequality and deepening poverty

## 2.1

### Situation, trends and policy measures

#### Increasing and deepening poverty

Based on current data,<sup>17</sup> the EU target of lifting at least 20 million people out of poverty and social exclusion by 2020 is not likely to be reached. On the contrary, 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 decreased. When combining this indicator with others, such as the poverty rate, income distribution or the median at-risk-of-poverty gap, one can observe a worrying trend: the EU is becoming more unequal and more people are becoming poor. The EU is clearly drifting away from its Europe 2020 target.<sup>18</sup>

Since 2010, the rate of people at risk of poverty has increased in two thirds of the EU countries. In 2012, 124.5 million people (24.8% of the population) in the EU-28 were at risk of poverty or social exclusion (AROPE), compared with 23.7% in 2010; representing an increase of 1.1 percentage points (p.p.). Data from 2012 demonstrates that only in DE, FR, LV, LT, NL, PL, SK, FI and SE did the rate slightly decrease by 1 p.p. or less, with the exception of LV where it decreased by almost 4 p.p. The national data confirm these observations e.g. in FR the increase of poverty intensity reached 19,1 % in 2011 and 20,5 % in 2012.<sup>19</sup> In HR a 17% increase in number of people receiving welfare subsidies was observed between 2009 and 2012.<sup>20</sup>

In most countries, the highest increase of people at risk of poverty occurred amongst people living in households with very low work intensity (e.g. in the UK, one in six families in the most distressed parts of the UK are defaulting on essential costs or covering household bills with payday loans) or who are already in severe material deprivation (e.g. BE's rate of people at risk of poverty was five times the EU average). Furthermore, some Caritas organisations are observing a direct impact of private household indebtedness on poverty (e.g. CZ).

Apart from children, and families with many children, or single parents, amongst the groups most affected by increasing poverty are people living in households with low work intensity<sup>21</sup>; the unemployed (especially women); elderly people (especially women), persons with mental health issues and disabilities, as well as migrants and asylum seekers. The situation of the latter groups is not well tracked by the national statistics and social services given their irregular status. Therefore, even in the EU MS with strong social welfare systems, like SE or FI the social exclusion among this group not tackled efficiently. Increasing housing costs have been identified as a major factor of exclusion in many MSs (e.g. in LU, between 2005 and 2014, house and apartment rental costs increased by 23.7% and 32.3% respectively).

<sup>17</sup> Eurostat and national statistics available in October 2014

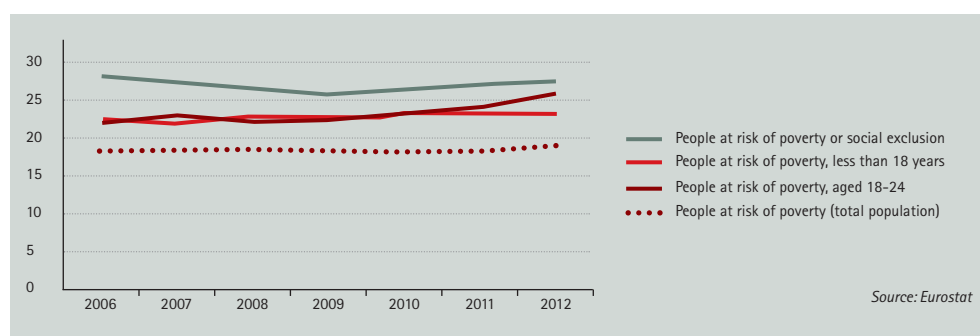
<sup>18</sup> European Commission, 2014, *Social Europe. Many ways, one objective. Annual Report of the Social Protection Committee on the situation in the European Union 2013.*

<sup>19</sup> Insee Première n° 1513 - Septembre 2014. <http://www.insee.fr/fr/ffc/ipweb/ip1513/ip1513.pdf>

<sup>20</sup> Ministarstvo socijalne politike i mladih 2014, Mjesečna izvješća 2014. [http://www.mspm.hr/djelokrug\\_aktivnosti/socijalna\\_skrb/statisticka\\_izvjesca](http://www.mspm.hr/djelokrug_aktivnosti/socijalna_skrb/statisticka_izvjesca)

<sup>21</sup> Eurostat indicator definition: People living in households with very low work intensity are people aged 0-59 living in households where the adults worked less than 20% of their total work potential during the past year.

Graph 1 Rate of people at risk of poverty or social exclusion in the EU.



Graph 2 Rate of people at-risk-of-poverty or social exclusion in the EU, 2010-2012, by country (%)



People at risk of poverty are getting poorer in many countries, especially those where the overall at-risk-of-poverty rate is high. In 2012, 16.9% of the population in the EU-28 were at risk of poverty after social transfers (their disposable income was below their national at-risk-of-poverty threshold) compared to 16.5% in 2010. All Caritas MOs have stressed the worsening living conditions of many people (e.g. in the UK a rapid rise in the use of food banks, with a 400% increase in use in the period 2011/12<sup>22</sup>; in CY the rate of severe material deprivation rose from 9.5% in 2009 to 15% in 2012; the average length of a stay at the Caritas Luxembourg shelter doubled between 2011 and 2012<sup>23</sup>). Caritas MOs continue to increase the number of beneficiaries they serve (e.g. IT, AT<sup>24</sup>, ES<sup>25</sup>, in FR Secours Catholique served 1 427 000 people in 2012) and most Caritas MOs have undertaken innovative new services to address the needs of people at highest risk of poverty (e.g. a school family centre in the UK; a social business for collecting clothes and recycling them in AT; child care facilities BE; shelters for homeless people in BG; social groceries and first day care centres in LU; mediators between debtors and creditors in IT; a preschool "Ambrella club" using Montessori pedagogy for disadvantaged children in CZ; consultants for energy issues in DE).

The economic situation of a larger part of the population is deteriorating with high and rising levels of income inequalities. This situation particularly impacts upon low and middle-income sections of the population, with a correspondingly higher concentration of income and wealth in the most affluent segments of society.<sup>26</sup> While, from 2005 to 2010, 20% of the EU's richest people remained 5 times richer than the poorest 20%, this disparity has widened to 5.1 in 2011 and 2012.<sup>27</sup> Furthermore, the ratio varies considerably across Member States; e.g. in 2012, the lowest was registered in SI and CZ with a (3.5), while, on contrary it was high in BG, RO, LV and EL (above 6.0) peaking at 6.9 in ES.<sup>28</sup> Similarly, the Office for National Statistics reported that Britain's richest 1% owned the same amount of wealth as the poorest 55% put together.<sup>29</sup> Moreover, the rising cost of housing, food and energy have had an adverse impact on many households' ability to buy food

<sup>22</sup> Caritas Social Action Network (2014), CSAN (Caritas Social Action Network) response to the All-Party Parliamentary Inquiry into Hunger and Food Poverty. Available at: <http://www.csan.org.uk/wp-content/uploads/2014/08/Catholic-Church-response-to-the-Hunger-and-Food-Poverty-APPG1.pdf>

<sup>23</sup> Caritas Luxembourg Annual Reports 2011 2012: <http://www.caritas.lu/t/Qui-sommes-nous/Rapport-d'activites>

<sup>24</sup> According to Sozialstatistisches Profil von KlientInnen der Caritas-Sozialberatungsstellen in Österreich Berichtsjahr 2013, Caritas Austria's beneficiaries increased by more than 5,000 people between 2012 and 2013.

<sup>25</sup> According to VIII Informe del Observatorio de la Realidad Social - Octubre 2013 (8th Report of Observatory of Social Reality of Caritas), the number of Caritas beneficiaries has tripled since the beginning of the crisis in 2008.

<sup>26</sup> European Commission, 2014, *Employment and Social Developments in Europe 2013*

<sup>27</sup> Compare Eurostat S80/S20 ratio between 2005 and 2012

<sup>28</sup> Eurostat: [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Income\\_distribution\\_statistics](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Income_distribution_statistics)

<sup>29</sup> <http://www.theguardian.com/uk-news/2014/may/15/britains-richest-1-percent-own-same-as-bottom-55-population>

and cook meals. The diminishing social cohesion is also seen as far as the territorial factors are concerned: worsening (in comparison to rest of the country) of access to services in rural or sparsely populated areas is particularly visible in Central and Eastern Europe e.g. in HR, LT, PL, RO, BG.

## The negative impact of austerity measures

As in previous years, Caritas MOs report the negative impact of austerity measures undertaken by MSs. It is important to note that the consequences of these measures appear to be more evident each year and deepen the extreme exclusion of many people. Many countries continue to cut their budgets, which is having a direct effect on the basic pillars of the welfare system (healthcare, education, pensions, social services), introduce new criteria for eligibility (e.g. through tightening the access to some benefits), request co-payment or apply other administrative requirements, thus restricting the access for some groups (e.g. immigrants in ES) or dismantling the safety net provided for the poor.

### Testimony

*"I am 53, divorced and live with my two adult sons. I suffer from cancer, I do not work and the only income in the house is the disability allowance of my son, who suffers from Down syndrome. Financially, we are in a very difficult place, since, apart from the basic expenses of a family, we also have to pay for doctors. Public hospitals do not always provide adequate service; therefore, we are sometimes obliged to visit a private doctor. The social services do not offer specific benefits."* – a recipient of Caritas support in Greece

Caritas organisations report that, for instance, in the UK, the reduction of benefits could place 200 000 children into situations of poverty, as the shortage of affordable accommodation is putting many families at risk of homelessness. In LV, about a half to two-thirds of the unemployed did not receive unemployment benefits during the period of the crisis<sup>30</sup>. In RO and BG, many people have had little option but to migrate to other countries. In MT, the European Food Aid Programme, which previously distributed food to 29,600 people annually, was discontinued in April 2014 – without replacement up until the present time.

In EL and IE, higher out-of-pocket payments have become a requirement to access services or benefits. In BG, a "project approach" to services – meaning closure of services after the project ends – is becoming more and more common. In EE, LT, RO and SK, regional as well as rural-urban divergences in access to benefits are being observed. The requirements to access benefits have become stricter in BE, LV and ES. As a consequence, the demand for Caritas support has increased significantly (e.g. LT, ES, IT, RO, LU).

## Some policy developments

In the context of austerity measures, it is important to highlight that many countries are putting into place measures aimed at reforming their social systems by undertaking more efficient responses to social needs in order to alleviate the devastating effects of the crisis. Some countries have approved national strategies or plans that aim to target specific groups or a specific problem (e.g. UK, BE, IE, CZ, RO), and some of them do not specify concrete goals and/or budgets.

<sup>30</sup> Hazans, M. (2011). Latvijas emigrācijas mainīgā seja: 2000–2010 (Changing face of Latvia's emigration: 2000–2010). In Zepa, B. and Klave, E. (eds.) Latvia. Human development report 2010/2011 (pp. 70–91). Riga: University of Latvia.

Other countries are allocating additional resources to provide services for the most excluded people (e.g. in EL, EUR 20 million to support homeless and extremely poor people; in ES, EUR 17 million for combating child poverty).

Some countries are undertaking social reforms that imply new systems of social protection, aimed at responding to social needs: a guaranteed minimum income, affordable childcare services (viz. subsidisation of social care services within the framework of family and employment reconciliation in CY); health insurance funds in order to reduce the non-take-up of health care in BE. A New Social Card has been introduced in 12 big cities for one year (the allocation of which amounts to EUR 50 million) and in addition EUR 167 million has been allocated for 2014–2015 in IT. A pilot project - "Housing First" - has been established in five major cities in BE. And in MT a programme aimed at helping Single Parents Enrol into Education has been set up by an integrated set of measures in line with the recommendation "Investing in children" . It is worth highlighting, however, that the selection of service providers based on the price criterion only is having an impact on the quality of services provided (e.g. AT, CZ, UK). Several countries, like SE increases an overall social protection budget as well as provides higher funding for targeted programmes. In some countries these policies seem to deliver results such as lowering level of homelessness, drug addiction and unemployment among youth in FI.

### EU INITIATIVE FOR ROMA INTEGRATION

In December 2013, MSs committed to taking targeted action to bridge the gaps between the Roma and the rest of the population, as set out under the Council Recommendation on Effective Roma Integration Measures in the Member States.<sup>31</sup> This Recommendation focuses on four areas: access to education, employment, healthcare and housing. In order to implement the recommended targeted actions, MSs are asked to allocate EU and national funds to Roma inclusion.

According to a recent evaluation report produced by the EC,<sup>32</sup> implementation of the Recommendation at national level varies between MSs, depending on the needs of the Roma, which differ from country to country. The evaluation reports on the positive progress which has been observed at this early stage of the implementation of the Recommendation. Many MSs have started to put in place the structural pre-conditions needed to implement their strategies successfully.

However, Caritas Europa's observation on the implementation of the Recommendation is less optimistic. Whilst some MOs have reported explicit but not exclusive measures in the 4 identified areas (BG, CZ, ES, LU), the general situation is that National Strategies continue to lack implementation and effective results at the local level. Furthermore, Roma exclusion persists in many countries, many of which have policies lacking in effectiveness and commitment, and very few MSs have allocated substantial EU funds to this priority.<sup>33</sup>

Caritas Europa insists on the need for effective implementation of the Recommendation at local level through the undertaking of effective measures in the four key areas and by allocating a minimum of ESF funds to the priority for marginalized communities, especially in countries with larger Roma populations.

<sup>31</sup> Council of the European Union (Employment, Social Policy, Health and Consumer Affairs, Council Meeting), 2013, *Council Recommendation on Effective Roma Integration Measures in the Member States*

<sup>32</sup> European Commission, 2014, *Report on the implementation of the EU framework for National Roma Integration Strategies*

<sup>33</sup> EURoma, 2014, *Reinforcing Policy Learning for Roma Inclusion*. Available at: [http://www.euromanet.eu/upload/22/80/Key\\_Findings\\_and\\_Proposals\\_Joint\\_Report\\_ESF\\_LN\\_Reinforcing\\_Policy\\_Learning\\_for\\_Roma\\_Inclusion.pdf](http://www.euromanet.eu/upload/22/80/Key_Findings_and_Proposals_Joint_Report_ESF_LN_Reinforcing_Policy_Learning_for_Roma_Inclusion.pdf)



## 2.2

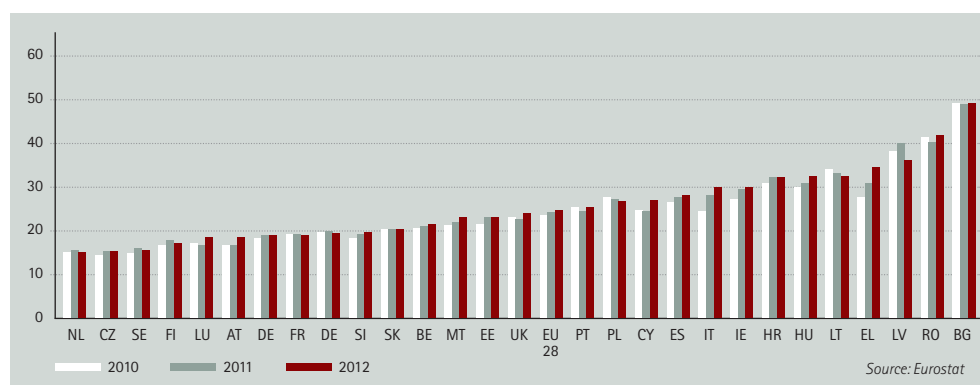
# High and persistent child and youth poverty

## The situation of children and of households with dependent children is deteriorating

As shown in graph 3 below, in 2012, 28.1% of children in the EU-28 were at risk of poverty or social exclusion— almost 4 p.p. more than the rest of the population. RO and BG registered the highest rates with 41.7% and 49.3%, respectively. This combined with data from other indicators, such as the rate of households with low work intensity or of severely materially deprived households, shows how households with children, especially single-parent households<sup>34</sup>, are at a greater risk of poverty or social exclusion.

- In 2012, 8 countries (BE, BG, EL, ES, IE, HR, HU and UK) registered rates of more than 12% for households with very low work intensity, with IE registering the highest rate (23.4%). The EU-28 average rate has remained stable at around 10% since 2010.
- In 8 countries (BG, EL, HR, CY, LV, LT, HU, RO), the rate of severely materially deprived people exceeded 15%, with BG registering the highest rate (44.1%), consequently aggravating the overall risk for children of growing up in poverty. The EU-28 average rate reached 9.9% in 2012, 1.5 p.p. more than in 2010 (8.4%).
- In 2012, 40.3% of the population in the EU-28 were unable to face unexpected financial expenses, having a direct impact on several risks for children (e.g. poverty, health, social exclusion). This represents an increase of almost 4 p.p. compared with 2010. In countries like BG, IE, HR, CY, LV, LT, HU, PL and RO, the rate exceeded 50%.
- In 2012, 50.9% of households with dependent children were at risk of poverty and social exclusion with Bulgaria registering the highest rate (77.5%). In countries like EL, IE, LV, MT, RO and UK, this percentage exceeded 60%.

Graph 3 Rate of at-risk-of-poverty and social exclusion in the EU of people under 18 years old, 2010-2012, by country (%)



<sup>34</sup> Eg. In France the rate of single-parent households among poor populations, increased from 20,6 % in 2011 to 22,3 % in 2012. Source: <http://www.insee.fr/fr/ffc/ipweb/ip1513/ip1513.pdf>

### Testimony

*'A single mother lives in a sub-let flat together with two children that go to primary school. Due to poor health, the mother cannot get an appropriate job. Fortunately, she receives a disability allowance and child benefits. The family regularly comes to Caritas to ask for food, clothes and shoes. At the beginning of the school year we helped them pay for school requisites. As the mother asked for help in paying electricity, she wrote: "We are threatened with the disconnection of our electricity supply, because I did not manage to settle the costs for the previous two months. Please, help!"' – testimony of a social worker from Caritas Slovenia*

Increasing child poverty as well as poverty affecting their families is a common challenge in all MSs. In fact, Caritas MOs are very concerned about the economic and social situation of children, which will most probably continue to deteriorate, especially due to the rise in prices of accommodation, the cost of living, poor working conditions and public budget cuts. In recent years, most MOs have been increasing their services to provide support to families and children.

### Testimony

*'Marija and Anton have four children. When they had the second child, mother Marija remained at home and now cares for the household, garden, chickens and rabbits. The father was employed in a company that went bankrupt and so they have remained without any regular income. This year, the oldest daughter (Nataša) is going to a secondary school, [whereas] Ivan and Petra are primary school pupils and Tanja is in the first class. A few days ago they came to Caritas to get some food and our worker enquired when they would be back again. At this point Ivan asked her: "Will there be any notebooks available? Our youngest daughter goes to school this year. She really wishes to have a new school bag ..." Her mother turned around with tears in her eyes, so that her husband could not have seen her sorrow.' – These words were written by Caritas co-worker and volunteer at diocesan Caritas Koper, Slovenia.*

There are numerous examples of how child poverty has deepened: in England and Wales, Caritas reports on an increasing number of families with only a roof over their head and who lack essentials e.g. no beds, no table and chairs, no fridge or freezer, no washing machine and no settee; 73.3% of households in BG cannot afford a one-week holiday away from home, 50.7% cannot afford to buy meat or vegetarian substitute every second day, and 46.2% reduce the heating of their homes; in IT 1,434,000 children were living in absolute poverty in 2013 (1,058,000 in 2012) and 72% of those who received Caritas support are parents<sup>35</sup>; in MT 16.6% of children are living in households that cannot afford to eat a meal with meat, chicken, fish, or a vegetarian equivalent every other day; additionally, 27.2% are living in households that cannot afford unexpected financial expenses and an increasing number of minors are asking to be admitted into residential drug rehabilitation by Caritas Malta; for families with children in CZ, the effectiveness of social transfers is low, ranging from 27% in single-parent families with children to 63.7% in two-parent families with one child.

Countries of solid welfare systems, like FI are also experiencing the child poverty that increased almost 3 times in this country in the last 20 years. The Finish Ombudsman for Children states that

<sup>35</sup> Caritas Italiana, False partenze. Rapporto 2014 sulla povertà e l'esclusione sociale in Italia, aprile 2014 [http://www.caritasitaliana.it/home\\_page/area\\_stamp/00004776\\_False\\_partenze\\_Rapporto\\_Caritas\\_Italiana\\_2014\\_su\\_poverta\\_e\\_esclusione\\_sociale\\_in\\_Italia.html](http://www.caritasitaliana.it/home_page/area_stamp/00004776_False_partenze_Rapporto_Caritas_Italiana_2014_su_poverta_e_esclusione_sociale_in_Italia.html)

"Most children are doing well, but services have been unable to address the problems faced by families in need of support. Since the early 1990s, the availability of home help services for families has plummeted. Easily available parenting support does not exist. Mental health services for young people are insufficient. Real value of child benefit has decreased almost 30 euro since 1994."<sup>36</sup>

Although some countries are undertaking specific measures to alleviate the worsening trend on child poverty (e.g. cash benefits, support for early child education, specific support to families, etc.) Caritas Europa is concerned about the **lack of systematic policy measures in line with the EU Recommendation on Investing in Children** (see below) in order to overcome the deteriorating tendency reflected in the statistics and affecting almost all EU countries. Child poverty should be a major matter of concern for the EU institutions and for the MSs in coming years, as the current trend threatens the well-being and stability of future generations.

### Testimony

*"I and my wife were employed in the same company, which went bankrupt. The period when we were receiving benefits from the Employment service has expired. We have three little children. I help surrounding farmers and in turn I get some potato and vegetables, so we can provide some food ourselves. However, we do not have money to pay our bills. That is why we need the help of Caritas." – Caritas Slovenia*

### SOCIAL INVESTMENT PACKAGE: INVESTING IN CHILDREN

In February 2013, under the framework of the Social Investment Package, the European Commission approved the **Recommendation on Investing in Children: Breaking the Cycle of Disadvantage**<sup>37</sup> to foster the implementation of a series of measures in MSs aimed at tackling child poverty through early intervention and a more preventative approach. This initiative addresses 3 key challenges that MSs should undertake: i) ensure that there are enough incentives to deter parents from not working; ii) guarantee efficient and adequate family and child benefits; iii) guarantee access to quality services for all.

Caritas Europa notes that some countries are undertaking positive measures aimed at ensuring access to education for all families, regardless of their social status, cultural background or disability, based on a sliding price scale (AT, BE, CY, CZ, DE); e.g. the establishment of Educational Priority Zones in Cyprus which operate within a broader context including innovative action for the active inclusion of children in a multicultural society. Some aim at preventing early-school leaving, especially of vulnerable groups (CY, IT), while others intend to improve access to healthcare for children regardless of their social and administrative status backgrounds based on a sliding price scale (AT, CY, IT, LU); e.g. a mother-child-passport in AT which ensures that mothers and children get all necessary examinations for free.

Despite the aforementioned policy initiatives, Caritas Europa highlights the **lack of comprehensive and effective child poverty plans, strategies or programmes** (including the lack of a multidimensional approach, specific actions and the allocation of economic resources) which are stressed in the Recommendation and set an administrative framework that encourages public administrations (national, regional and local) to adopt measures aimed at tackling child poverty. Furthermore, it is deeply concerned about the **negative impact of spending cuts and administrative reforms** undertaken in such a way that they do not guarantee that all children – especially those from vulnerable

<sup>36</sup> Childhood Inequality - the Wellbeing of Children as shown by National Indicators. Annual Report of the Ombudsman for Children 2014 (Eriarvoistuva lapsuus – Lasten hyvinvointi kansallisten indikaattoreiden valossa. Lapsiasiavaltuutetun vuosikirja 2014) <http://www.lapsiasia.fi/julkaisut/julkaisu/-/view/1880713>

<sup>37</sup> European Commission, 2013, *Investing in Children: Breaking the Cycle of Disadvantage* 2013/112/EU

groups – receive adequate support. Caritas MOs report on several cases in which children have not received adequate support due to budget cuts while schools maintain funding of additional activities such as theme park excursions (BE). A lot of benefits are being reviewed and restructured due to budget cuts and many of them are losing their universality. In cases where countries are adopting new benefits, they are generally not universal; others have been considerably reduced or have adopted a punitive approach which often stigmatises certain vulnerable groups that tend to access these benefits more often than the rest of the population (DE, IE, IT, UK). In the UK, access to benefits is increasingly being computerised, which is having a negative impact on poorer families that have limited or no access to ICT or the Internet. Incentives and support services aimed at promoting social inclusion of children from ethnic minority backgrounds, particularly Roma children, and children from a migrant background or children with disabilities are underdeveloped and insufficient but, worst of all, are disappearing due to budget cuts. This worrying trend is likely to have a very negative impact on their health and their educational attainment (BG, SK, RO). Moreover, uneven distribution and access to healthcare and education facilities has been observed by Caritas MOs especially in rural areas (BG, CZ, EE, LT, RO).

Caritas Europa endorses its recommendations on reducing child poverty included in last year's Shadow Report 2013:

- ➔ 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.

### *Testimony*

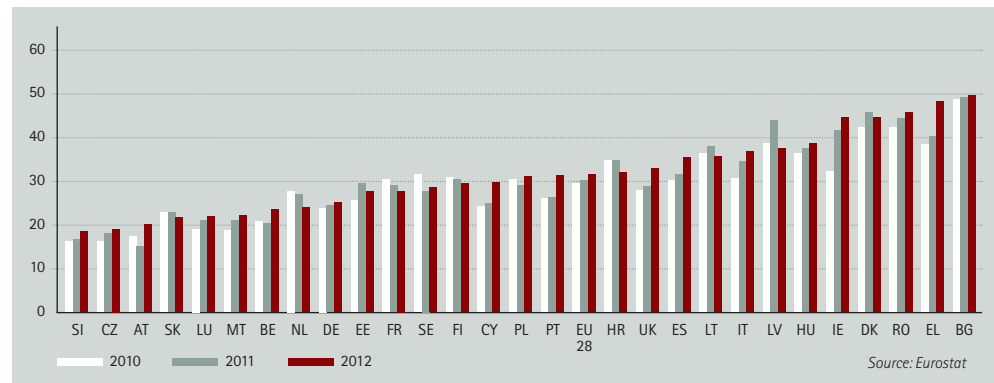
*"Nada and Branko have seven children. The oldest goes to a secondary school, four children are in a primary school and the twins are preschool children. They live in an old farm house, which was renovated with the help of a loan. Their moderate livelihood was obviously not enough. One of the twins is a child with special needs, which means additional costs for the family. Only the father has a job, but due to the economic crisis, he does not receive a regular salary. Caritas offers them food aid. Last year we helped them with notebooks and other school requisites. This year, they need our help again." – These words were written by a Caritas co-worker and volunteer at diocesan Caritas Koper, Slovenia.*



## The lack of employment opportunities and increasing precarious employment continues to put young people at higher risk of poverty and social exclusion

As shown in graph 4 below, in 2012 in the EU-28 31.6% of people aged between 18 and 24 were at risk of poverty or social exclusion compared to 29.4% in 2010, almost 7 p.p. more than the rest of the population. Youth poverty increased in 20 EU countries. BG, DK, EL, IE and RO registered rates that exceeded 44%. In 2013, in the EU-28, 23.5% of people under 25 years old were unemployed compared to 21.1% in 2010, more than twice the rest of the population (9.6%). The highest rates were registered in EL (58.3%) and ES (55.5%). HR, IT, CY, PT and SK registered rates of more than 30%.

**Graph 4 Rate of at-risk-of-poverty and social exclusion in the EU of people between 18-24 years old, 2010-2012, by country (%)**



Caritas MOs report that the lack of employment opportunities for young people, an increasing share of temporary, part-time and precarious jobs (EL, ES, UK), lack of adequate training and support opportunities for accessing employment, insufficient and/or a reduction of benefits (IE, DE, DK), an extension of working lives which hampers the replacement of jobs (BE, BG), and involuntary self-employment in some sectors (e.g. agriculture in RO) are putting young people at a higher risk of poverty and social exclusion and undermines their potential and future contribution to society. The number of NEETs continues to increase and young people postpone starting families and decide to live with their parents for a longer time (the increase of young men living with their parents rose from 44% to 48% between 2007 and 2011).<sup>38</sup>

The 2013 Caritas Shadow Report identified the major problems which appear to remain as follows: persistent economic instability with high rates of unemployment, insecure jobs and poor working conditions, insufficient quality and inadequate traineeships, reductions in the number of permanent and full time jobs, etc. While results of the Youth Guarantee programmes are still unseen in most countries, some positive measures may be anticipated (e.g. the Future of Apprenticeships in England). The efficiency of non-regular contracts should be closely monitored as the transition rates from temporary to permanent jobs are limited. According to a recent OECD Report less than 50% of those in temporary employment in a given year are fully employed three years later.<sup>39</sup>

<sup>38</sup> Eurofound, March 2014

<sup>39</sup> OECD Employment outlook 2014, page 143

## Testimony

*"I'm Fabio, 31 years old, and I'm a computer technician. Approximately four years ago, my girlfriend, Giada, and I decided to live together. At that time both of us were employed. She worked in a book store and I worked as an external consultant for a subcontractor company of the municipality of Rome. I didn't have a permanent contract, but my girlfriend had one and therefore we decided to leave our parents' homes and moved to an apartment in a small town.*

*Everything went well until two years ago. Because of the crisis, the book shop where Giada was working faced a sharp drop in sales and she was fired. – testimony from Caritas Italy*

*For a while we managed the situation, but after a few months we had to change house, because the one where we were living was too expensive. We found a small apartment outside of Rome, in a suburban area, badly connected, but very cheap. After a few months, I lost my job too: the information technology company where I was working failed to secure a new subcontract with the municipality, and my contract was not renewed.*

*Thanks to small jobs here and there, we continued forward a few months. The unemployment allowance came several months after our job losses, and until then we had to live on our low savings. It was a hard decision, but after few months we decided to go back to our respective parents' homes.*

*We are living separately now. We don't have work and we are too old to start studying again. The only good news is that, thanks to a social cooperative linked to Caritas, I started teaching computer science to young boys in a tough neighbourhood. I receive a small salary for this, but this experience is useful to me to indicate a possible way forward for the future, in the field of social action and cooperation." – a beneficiary of Caritas Italy support*

Amongst the negative consequences of worsening poverty among young people, some Caritas MOs have reported increased migration levels (BG, LV, RO); e.g. in RO the de-motivating minimum wage that most employers offer young employees, especially in rural areas, leads to significant economic migration of young people or to a worrying dependency on social benefits. Many MOs have highlighted that living conditions of youth are expected to deteriorate, as the initial results already show in the areas of education, anti-social behaviour and employment (IT, CY). Examples include the following: between 2005 and 2013, the number of NEETs grew by 6 p.p. in IT; in 2013 Caritas served 1,493 Italian NEETs aged between 15 and 34 who applied to its Counselling Centres.

As a consequence of the reduction of benefits, Caritas DK has observed an increase in the amount of young homeless persons during the last couple of years. All these factors lead to the decision of postponing the independent living and to continuing to rely on parents' support (e.g. in HR the average age when young people leave parents' home is almost 32.5 years). In effect, young people postpone decisions of having families as they have concerns if the existing economic and employment environment are sufficiently adequate for securing minimum decent conditions for their families.

## 2.3

# Recommendations for specific action at national levels

Caritas Europa insists on the need to reverse the current trend on increasing poverty and social exclusion in Europe. As there has not been any progress made on the Europe 2020 poverty target, the entire policy process (i.e. the European Semester) should be reviewed, in order to put poverty and social exclusion at the centre of policies. At the moment, EU policies continue to focus on budget adjustments, disregarding the negative consequences of the different ways in which social reforms are being undertaken.

As regards to measures that should be recommended and implemented at MS level, Caritas MOs insist on the need for more consistent and integrated measures and have proposed a shift in priorities and measures in the following areas:

- ➔ **Income, taxation and fiscal systems:** some of the proposals aim to reduce energy poverty by reducing the cost of electric power, the consumption tax on oil and other energies for domestic use. Others refer to reduced taxation and increased incomes: a system of guaranteed sufficient minimum income state-wide would be an effective measure against poverty in general and especially against severe poverty; Caritas MOs are also calling for a complementary income-based approach, to reduce the tax burden on low wages; to increase family benefits for dependent children especially for single parents and large families; to make the payment of benefits more flexible; and to take measures to make full-time and part-time childcare affordable throughout the year. Furthermore, a minimum pension rate for the elderly should be guaranteed in all countries and raised in some countries.
- ➔ **Social services and social support should be strengthened** by targeting measures for people most at risk of poverty or with special needs. Adequate comprehensive and accessible social services should be guaranteed, including in rural areas and urban marginalized areas. Special attention should be paid to improve care facilities for young mothers and children, for elderly people (especially women) as well as for asylum seekers and immigrants.
- ➔ **In housing,** the following action is proposed: to review land and property taxation, to address the severe shortage of affordable rented accommodation, to reduce the precarious nature of tenancies for those in private rented accommodation and to take immediate action to ensure the adequate supply of social housing, including co-op and voluntary non-profit housing, in order to reduce the waiting lists for accommodation.
- ➔ **In healthcare,** the following steps are proposed: that public healthcare systems should guarantee their universality by covering the needs of all people, especially vulnerable groups and immigrants. New mechanisms are needed that allow for the provision of affordable and quality medical services by paying special attention to some groups, such as elderly people, immigrants, etc.
- ➔ **In education,** the following recommendations are proposed: that access to education, including early childhood education and pre-school education, should be free of charge for parents at risk of poverty in order to provide equal opportunities and to avoid inequalities. A stronger emphasis has to be given to the quality of education that should favour a better access to the labour market.
- ➔ **As for employment,** detailed recommendations are provided at the end of the next chapter.

# 03

## Growing divergence in employment trends

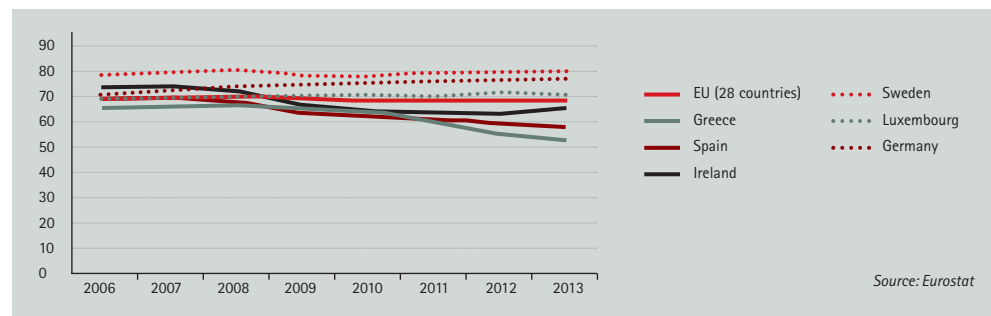
### 3.1

#### Situation, trends and policy measures

Similar to the above-observed trends on the under-achievement of social inclusion targets, the Europe 2020 employment objectives (viz. that 75% of the population aged 20–64 be employed) appear far from being reached, as the overall employment rates keep moving further away from the set target (69% in 2009, 68.4% in 2013), thus distancing the EU and its MSs from the Europe 2020 goal of inclusive growth. It is evident that the economic and financial crisis has also had a severe impact on these developments which has not only caused rising poverty and unemployment rates but has led to an on-going trend of increasing divergence across and within Europe:

- ➔ For instance, in 2006, the difference between the highest (DK) and lowest (MT) employment rate amongst EU-MSs accounted for 21.8 p.p.. This gap has significantly widened since then and amounted to 24.1 p.p. in 2012 and reached a difference of 26.6 p.p. between the highest (SE) and lowest (EL) EU employment rate in 2013.<sup>40</sup> From a geographical perspective, this divergence is most striking between the North and core parts of the Euro area and the South and periphery countries.<sup>41</sup>
- ➔ Similar observations apply to the divergence in unemployment rates which, in 2006, accounted for a difference of 10 p.p. between the MSs with the lowest (DK) and the highest (PL) unemployment rate; a gap that doubled in 2012 (20.5 p.p.) and reached 22.4 p.p. in 2013 (AT 4.9% vs. EL 27.3%).

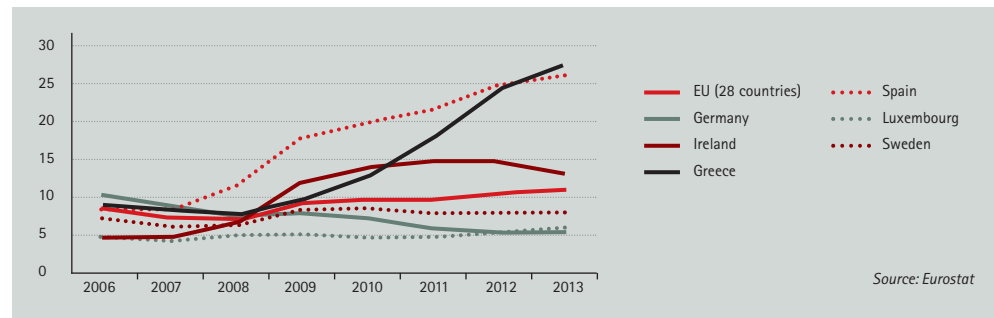
Graph 5 Divergence in employment (%)



<sup>40</sup> Eurostat

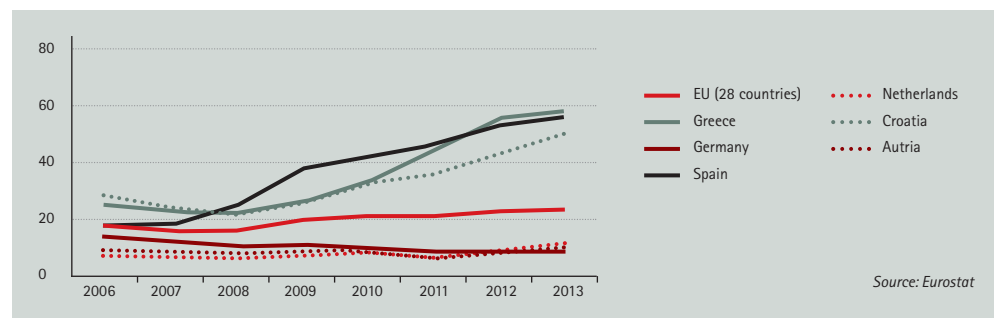
<sup>41</sup> European Commission, 2014, *Employment and Social Developments in Europe 2013*

Graph 6 Divergence in unemployment (%)



Youth unemployment remains a growing concern across the EU, further contributing to alarming divergence between MSs. In 2013, youth unemployment exceeded 35% in all Southern European MSs (with the exception of MT), while every second person under the age of 25 was registered unemployed in 3 MSs (EL, ES, HR).

Graph 7 Unemployment rates, people under 25 years of age. Regional divergence



## Aggravated problems

Both youth unemployment and long-term unemployment have been reported as major areas of concern by all Caritas MOs. The highest unemployment rates can be found among people with lower qualifications who are finding it harder each year to get a job. Lack of education undermines the likelihood of finding a job and is becoming a factor for social risk; e.g. in BE the unemployment rate of people with low education levels increased by 3.5 p.p. (from 12.5% to 16%) between 2003 and 2013, while this increase only accounted for 0.5 p.p. (from 4.4% to 4.9%) amongst people with higher education levels. Although some countries have experienced a degree of improvement in employment rates, many of these increases have been in part-time employment (e.g. IE). According to Caritas MOs, unemployment affects predominantly those with low skills (basic education, secondary education without a graduation certificate), individuals with criminal records, persons with disabilities (physical and mental), young people without work experience, persons aged over 50, young people from socially disadvantaged families, single mothers, as well as the Roma.

New forms of employment are resulting in income reductions, and Caritas MOs are observing new forms of poverty, exclusion and discrimination. Insufficient job opportunities induce deepening discrimination in the labour market, as well as discrimination based on the grounds of race, ethnicity, gender, education, religion and age. This creates conditions for long-term unemployment and poverty and is a prerequisite for the segregation and generation of what may be labelled a "superfluous population". This has resulted in reports of worsened xenophobia and racism (e.g. EL). Other social consequences are an increase of health problems both physical and/or mental, as well as an increase in emigration of young people in some countries.



## YOUTH GUARANTEE

In April 2013, MSs endorsed the principle of the Youth Guarantee established in the Council Recommendation. The measure aims to tackle the growing problem of youth unemployment in the EU and should ensure that all young people under 25 – whether registered with employment services or not – get a good-quality offer within four months of them leaving formal education or becoming unemployed. The good-quality offer should be for a job, apprenticeship, traineeship, or continued education and be adapted to each individual need and situation.<sup>42</sup>

Since the endorsement, several MSs have introduced youth guarantee schemes though it is still **too early to evaluate their impact**. Nevertheless, some Caritas MOs feel positive hope (CY, EL, DE) about the plans presented by their MS, while some others have already been able to observe some positive effects of the measures being implemented in their countries (BE, RO).

Although generally welcoming the idea of introducing the Youth Guarantee, a number of MOs express serious concerns about some national plans to implement Youth Guarantees in their respective countries. Critics refer to the fact that their national plans

- ➔ exclude young people aged 18–24 not on an unemployment payment – a neglect that could especially discriminate against young people with disabilities – and the fact that the planned measures do not recognise the growing levels of part-time employment and part-time under-employment amongst young people (IE);
- ➔ do not explicitly guarantee that within the four month timeframe, a job or training programme is offered (LU); or
- ➔ will not be able to offer good quality employment due to the negative impact previous labour market reforms have had on employment contracts (ES).

Other MOs have reflected on the failures of current or previous experiences with similar schemes which either under-performed and had to be discontinued (UK) or which leave out specific measures for vulnerable groups, such as migrants and refugees, that would facilitate legal access to the labour market (CZ).

## 3.2 Increasing deterioration of the labour market and in-work poverty

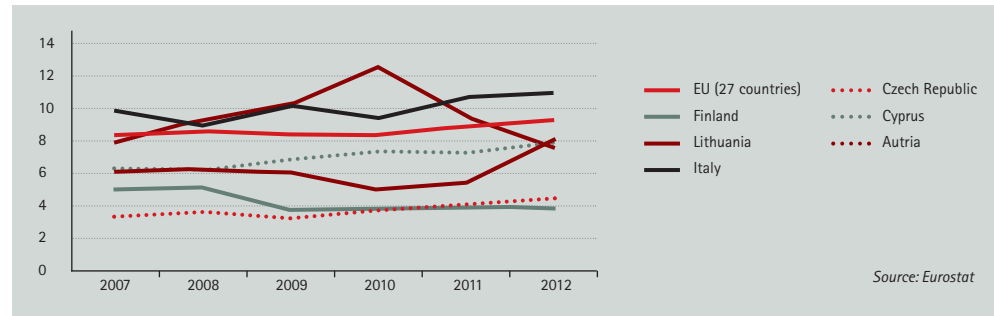
The financial and economic crisis has also had a devastating impact on people in work. Between 2011 and 2012, **thirteen MSs continued to register significant increases in the rate of the in-work poor** – a trend that has been on the rise in most parts of the EU. The working poor are defined as individuals who are classified as employed (i.e. being in work for over half of the year) and who are at risk of poverty, i.e. live with an equivalised disposable income below 60% of the national median equivalised disposable income.<sup>43</sup>

The **phenomenon of diverging trends** across the EU also applies to the working poor, with some eight countries that registered levels below 6% in 2012 – FI, BE, CZ, NL, IE, HU, DK and MT, while on the other extreme there are countries like LU, PL, IT, ES, EL with rates above 10% and RO which had the absolute highest level in the EU of 19,1% in 2012. Overall, 9.2% of the EU population at work lived below the poverty threshold in 2012.

<sup>42</sup> European Commission, 2014, *Youth Guarantee*. <http://ec.europa.eu/social/main.jsp?catId=1079>

<sup>43</sup> European Commission, 2014, *Social Europe. Many ways, one objective. Annual Report of the Social Protection Committee on the social situation in the European Union (2013)*

Graph 8 Divergence among the EU working poor (%)



Caritas MOs observe several factors causing the emerging problem of the 'working poor' in the EU, such as low-paid employment, increasing part-time (EL, LV, LT) and precarious employment, reduced minimum wages or the entire abolishment of collective agreements on minimum wages (EL), rising living costs (AT, EL in the tourist season), applying non-standard working arrangements (klike civil law contracts) and involuntary self-employment (PL), private debt due to the repayment of housing loans (EL, LU) and cuts in benefits for the working population (NL), which are exacerbated by the implementation of austerity policies.

The consequence of this problem is that employment is not a way out of poverty, and that people who find themselves in such situations are not moving out of poverty despite being employed. For example, in the UK there are now more people in working families living below the poverty line (6.7 million) than in workless and retired families in poverty combined (6.3 million).<sup>44</sup> In-work poverty manifests itself not only in low wages but also in inadequate or the poor-quality of working conditions, such as non-compliance with safety standards, social protection system limitations or lack of availability of health care for employees. Another factor is job insecurity, especially for persons working on temporary contracts or involuntary part-time contracts.

The working poor are classically associated with unskilled workers and/or with low education (e.g. in IE the in-work poverty risk is higher among those households whose head has a low educational achievement (10%), compared to households with a medium (7%) and higher education (3%); in CZ, workers with primary education are at a considerably higher risk of poverty (41%) than workers with higher education (2%), as well as with other groups, such as migrants, people with disabilities, young people as well as forced self-employment. In-work poverty is also more prevalent among women in most countries. However, recent trends demonstrate that in-work poverty is not exclusive to these groups but affects a wider labour force. For example, in IE, 16% of adults living in poverty are employed and 6% of the total population who are at work are living in poverty; while in AT, more than half of the working poor are between 18 and 39 years old and have full-time employment throughout the year.

Some Caritas MOs are observing an increase of in-work poverty which is reflected in the rising number of working households claiming housing benefits (e.g. LV<sup>45</sup>, UK<sup>46</sup>), since in-work poverty is strongly associated with an inability to generate sufficient income at family level. Caritas Europa therefore highlights the need to strengthen efforts to reverse this trend which requires MS governments to take steps to move towards the creation of conditions for guaranteeing adequate living conditions (e.g. in UK, more than 5 million workers are paid less than the Living Wage).

<sup>44</sup> Joseph Rowntree Foundation, Monitoring poverty and social exclusion 2013. Available at: <http://www.jrf.org.uk/sites/files/jrf/MPSE2013.pdf>

<sup>45</sup> According to the Riga city council Social Department, more pensioners receiving either old-age or disability pensions, applied for both guaranteed minimum income and housing benefits in 2013-2014. This means that the monthly income of these pensioners is less than 128 EUR per month. See: [http://www.ld.riga.lv/Sociala\\_palidziba.html](http://www.ld.riga.lv/Sociala_palidziba.html)

<sup>46</sup> The evaluation report on the Removal of the Spare Room Subsidy (RSRS) revealed that the DWP's Housing Benefit data shows that in August 2013, 522,905 households were affected by the RSRS, which equates to 11.1% of all social tenancies. Full report available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/329948/rr882-evaluation-of-removal-of-the-spare-room-subsidy.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/329948/rr882-evaluation-of-removal-of-the-spare-room-subsidy.pdf)

### 3.3

## Recommendations for specific action at national levels

Caritas Europa insists on the need to reverse the current trend of increasing youth unemployment, long-term unemployment and in-work poverty. These dimensions should gain relevance with regards to the Europe 2020 employment target and within the Semester Process by undertaking measures at both the European and national levels to improve these situations and by setting and committing to specific targets.

As regards to measures that should be recommended and implemented at MS level, Caritas MOs have insisted on the need for more consistent and integrated measures and presented priorities in different areas:

- ➔ **Employment policies:** To adopt the Youth Guarantee and to maximise efforts to ensure that the Youth Guarantee delivers. To modernise social security systems so that they provide the right incentives to work, and to ensure adequate income support. To improve the education systems (vocational training) in order to improve its connection to employment opportunities. To promote the Social Economy and to strengthen the role of social enterprises in order to address the needs of people at community level, especially the most vulnerable. To promote comprehensive systems of micro-credit, and micro-finance in order to encourage the development of small enterprises. To combat undeclared and underpaid work.
- ➔ **Working poor:** To address the issue of low-paid employment by promoting/increasing minimum wages and the living wage. To ensure decent working conditions and counteract precarious employment. To reform tax and social contribution systems in a way that do not penalise the working poor.
- ➔ **People and groups more at risk:** Provide qualifications and individual support by increasing training and work insertion for vulnerable persons; tailored pathways for people with fewer employment opportunities; and adaptation of the public employment services in order to reach the most excluded groups. Provide job placements in favour of vulnerable social groups and people excluded from the labour market, including the provision of legislation that facilitates the creation of social enterprises and conditions that favour the employment of disadvantaged groups.

### Testimony

*"I am Maria, female and Roma. I am separated for longer than 6 years. I had five children, but one of my daughters died when she was barely a year. All five of us live in a slum, on the side of the Guadarrama River (Region of Madrid). Our house is made of a few bricks, recycled windows and corrugated rooves of cardboard and plastic.... Our income for years, even before the crisis, is the RMI<sup>47</sup> support program provided by the Region of Madrid and the aid for dependent children of Social Security. In total, we count on 420 Euros per month. The parish church gives us food once a week. In addition, I sell garlic at the door of a supermarket.*

*Every day I wake up early to help my 4 children get ready for the day and take them to the school bus route. The worst days are the rainy days because the road to the bus stop is full of puddles. When we get there,*

<sup>47</sup> Active Insertion Income for unemployed people

*I have to help them change their shoes in order not to get the coach or the school full of mud.*

*In April 2011, I learned of SENDERO, a project for women developed by Caritas Getafe. At the beginning, I was reluctant to participate, but I thought my RMI benefit depended on it, so I started to attend. In March 2012, I started a training course to be a waitress. I was very excited because I wanted to work, dreamed of having a job and being able to rent an apartment in central Móstoles, with the school and the doctor nearby; I also wanted to get my driver's licence and have autonomy to move about. My joy was short[-lived] as I got ill just a month after the course began and I could not attend. I spent several months on medical leave, hoping to improve again and have [renewed] opportunity to apply for next year's course. In March 2013, I started the course again with great enthusiasm: I had to achieve it, and get my diploma to "be someone"; to have a job, a resume and to show my children what I was capable of and how our lives could change.*

*It was not easy, I could barely read or write but after many early mornings I managed to finish the course. My [work] practice began and with this my first time in a luxury hotel in central Madrid. The rooms, with modern amenities, were bigger than my house. I knew that was my chance, I wanted to stay working there so I had to do my best to get the job.*

*I got it! When [the work] practice was over, I was offered [a temporary post]to cover [for] an [employee on] medical leave and, despite it not being a permanent job, I felt that this opportunity was the beginning of my new life. Occasionally I carry on covering [for employees on] medical leave or working during peak periods.*

*Today I know I still have a lot of difficulties to overcome but now I've already worked, I know I can. Of course, I keep dreaming every night of a rented apartment with my four children, near the medical [centre], [and] the school, [just] as any family [would dream]". – a beneficiary of a Caritas Spain project*

- ➔ **Social support measures:** Provide child-care in order to empower women to return to work earlier; and take the necessary steps towards free early-childcare and education facilities; increase benefits which support families with children, individuals and households with low incomes, as well as vulnerable groups, such as people with disabilities.

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# Annexes

## 27 Country Summaries produced by Caritas organisations listed below: (to be ready in December 2014)

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

## List of acronyms and abbreviations

AGS	Annual Growth Survey
AROPE	At risk of poverty or social exclusion
CSR	Country Specific Recommendations
EC	European Commission
ECB	European Central Bank
ESL	Early School Leaving
EU	European Union
ESF	European Social Fund
GDP	Gross Domestic Product
MOs	Member organisations of Caritas Europa
MS	Member State
NEETs	Young people not in employment, education or training
NGO	Non-Governmental Organisation
NRIS	National Roma Integration Strategies
NRP	National Reform Programme
OMC	Open Method of Coordination
P.P.	Percentage Points
R&D	Research and Development
SF	Structural Funds

## Country codes used in the text

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

# Acknowledgements

This publication is one of the main outputs of CARES, a Project of Caritas Europa, supported by the EU Programme for Employment and Social Solidarity PROGRESS. I am grateful for this financial support.

As in the previous years, my gratitude extends as well to the national Caritas experts in the 27 EU Member States for contributing to the analysis of the employment and social situations in their countries and overview of the national policies applied. In addition, I thank all Caritas organisations for their dedication to the poor and vulnerable and their daily expertise, which feeds into the findings of this publication.

Special thanks goes as well to the authors, Jose Manuel Fresno, Alia Chahin and Cornelia Rauchberger from FRESNO - The Right Link, who conducted thorough research, prepared the country reports, and drafted this European overview. Lastly, I also owe special recognition to Artur Benedyktowicz from the Caritas Europa Secretariat for both the coordination and content-input of this very relevant report.





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