

Improving Poverty Reduction

Which role for Europe ?

Bea Cantillon

The Herman Deleeck Centre for Social Policy, University of Antwerp

European Social Week

Milano, 14-16 February 2019

1. The postwar dream
2. The great disappointment
3. Why ?
4. Social Fabrics at work
5. What can be done ?
6. Which role for Europe ?

The Post War Dream



“ We all have a right to a decent minimum income”

(Beveridge , Deleeck, Henderson ...)

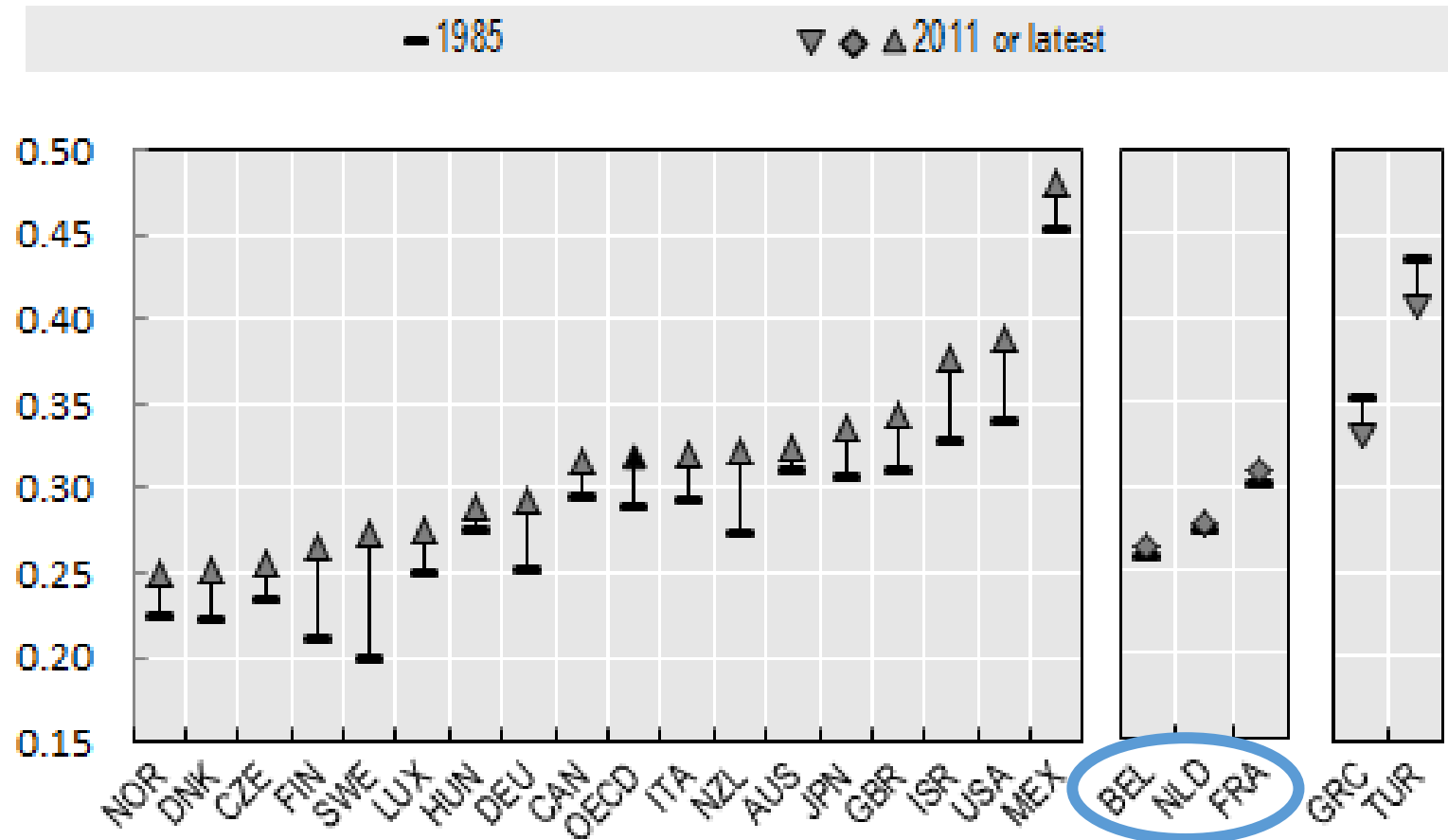
Post War Consensus

- Full Employment
- Productivity growth = wage growth
- Redistribution through social insurance (contributive justice)
- Within the boundaries of the national Welfare State

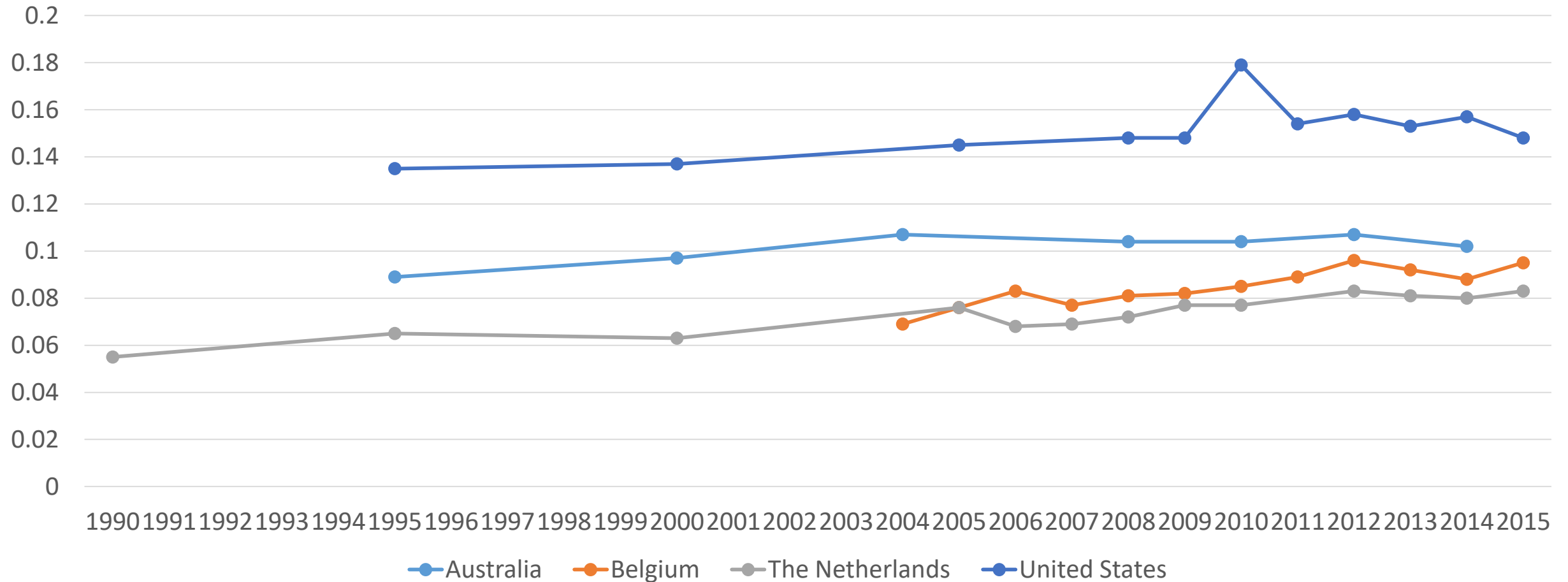
The Great Disappointment

Increasing inequalities

Gini-coefficients, mid-1980s and 2011/12



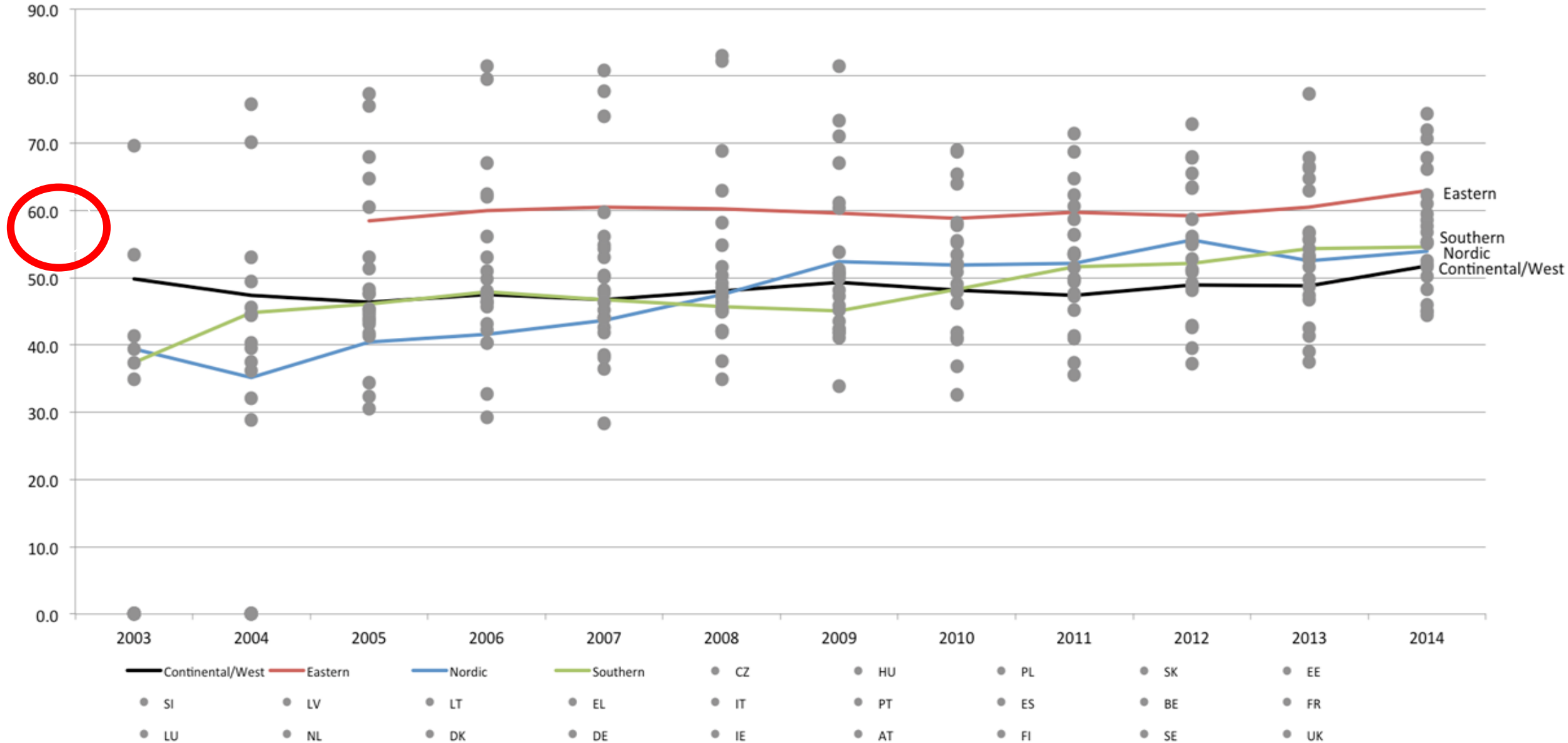
Slow poverty increase among the working -age population



Source: OECD Income Distribution and Poverty Database.

Universal increase of poverty among the jobless

At-Risk-of-Poverty Rate Among Households with Very Low Work Intensity, 2003 - 2014, Eurostat



The emergence of the “charity economy” , “terzo settore”

6% of the EU’s population turn to food banks

FEAD is presented as an instruments to foster the implementation of the ‘European Pillar of Social Rights’ (!!!)

Why ?



Employment growth
Income growth
Active Welfare State
High social spending



Globalisation, technological change,
neo-liberalism, individualisation,
migration



The increasing poverty trends mask even more worrying trends !

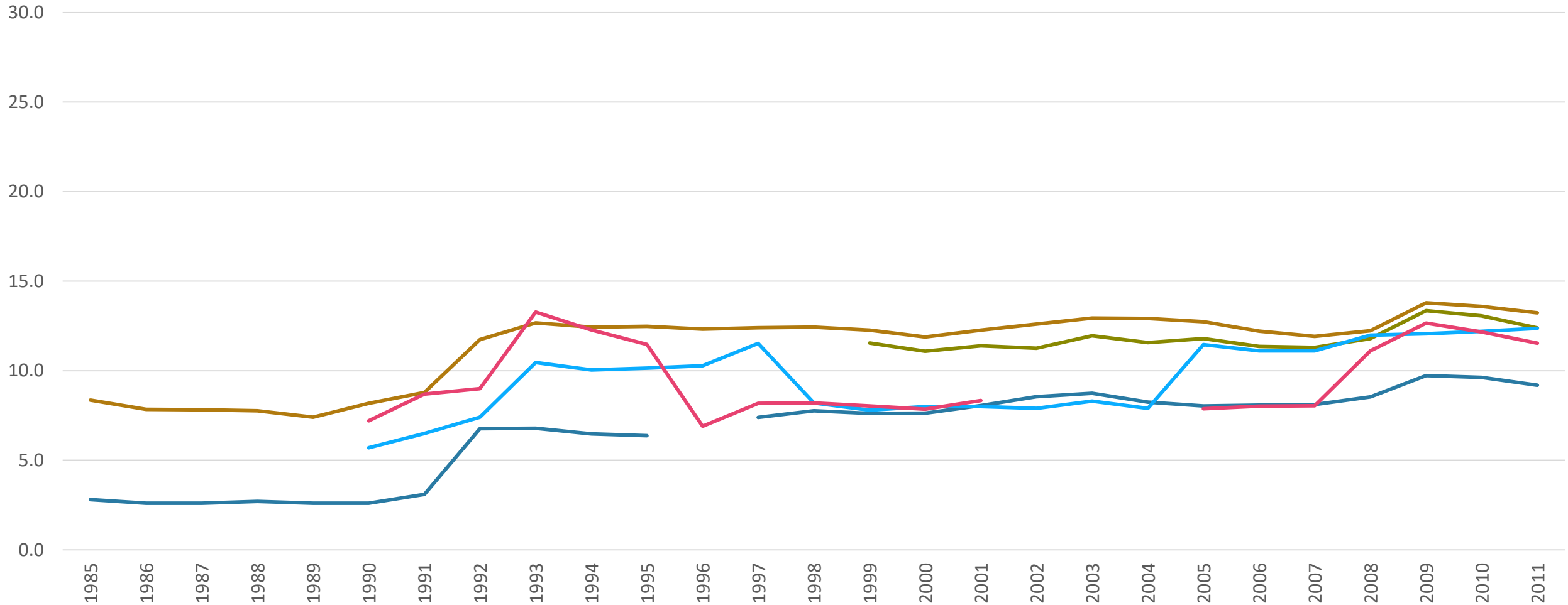
The puzzle



- Growth of Employment : jobs, jobs, jobs...
- Growth of Incomes : the cake became bigger
- The social investment turn : “prepare instead of repair”
- High social spending

Running harder to stand still, at best

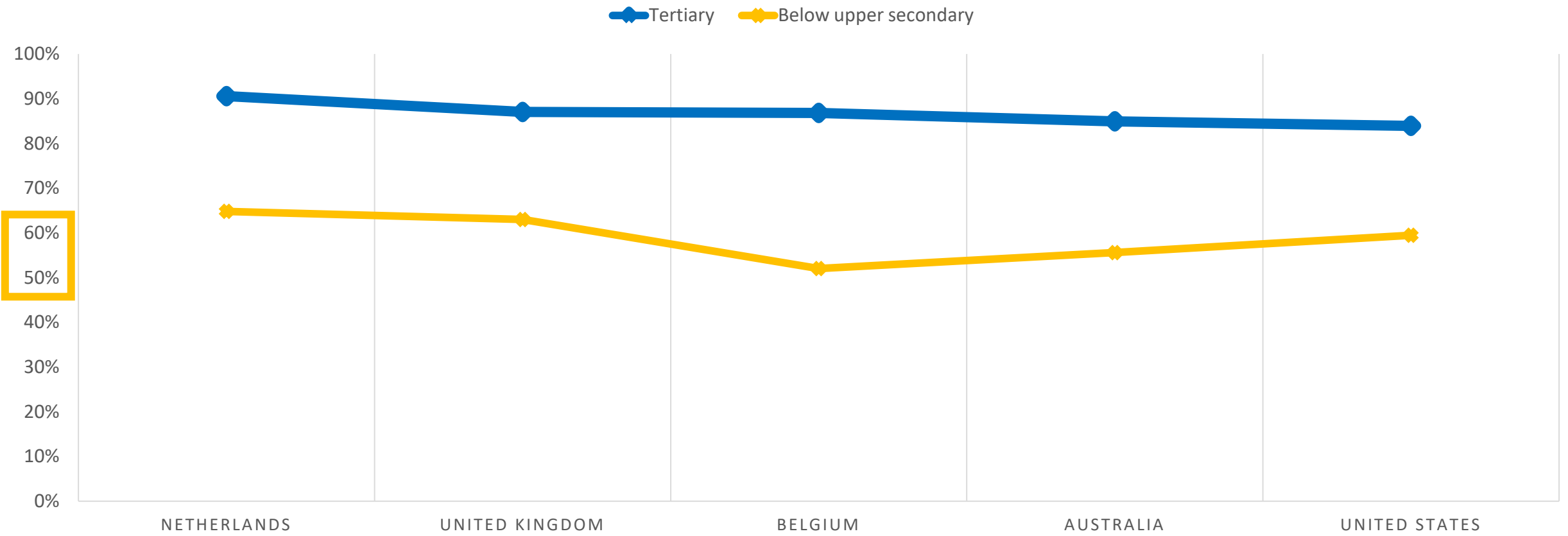
Total Social Expenditure for active age (in % GDP), EU21, US, AUSTRALIA & CANADA



WHY ?

1. The unequal distribution of job growth among *individuals*

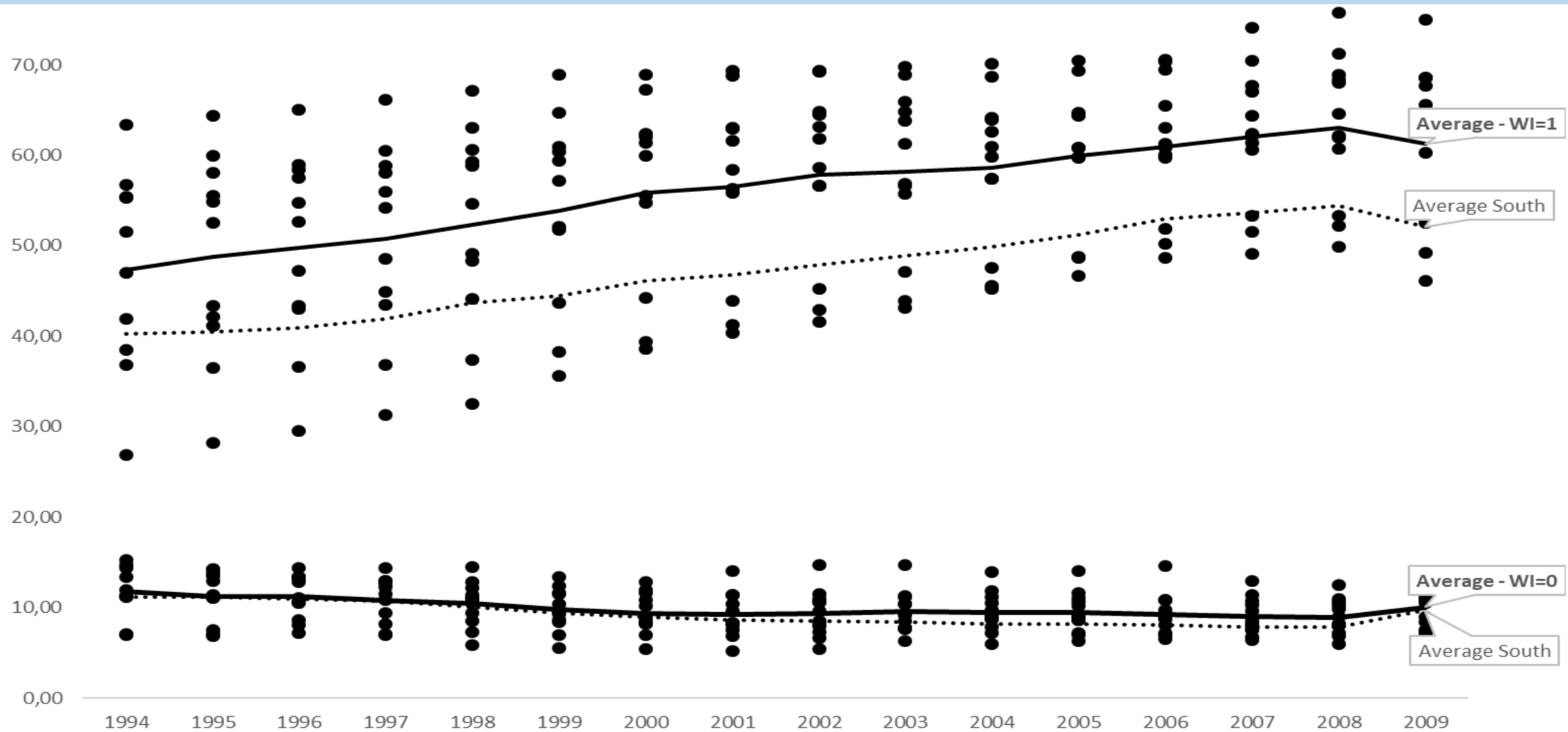
Structural underemployment of the low skilled



Source: OECD (2017) *Education at a Glance*.

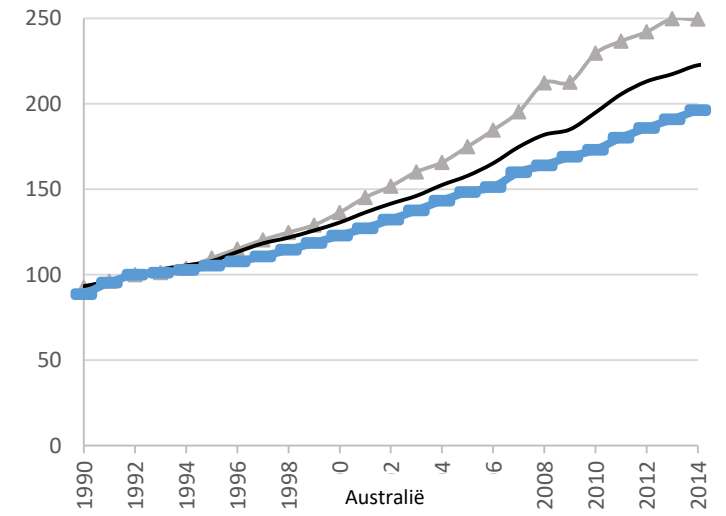
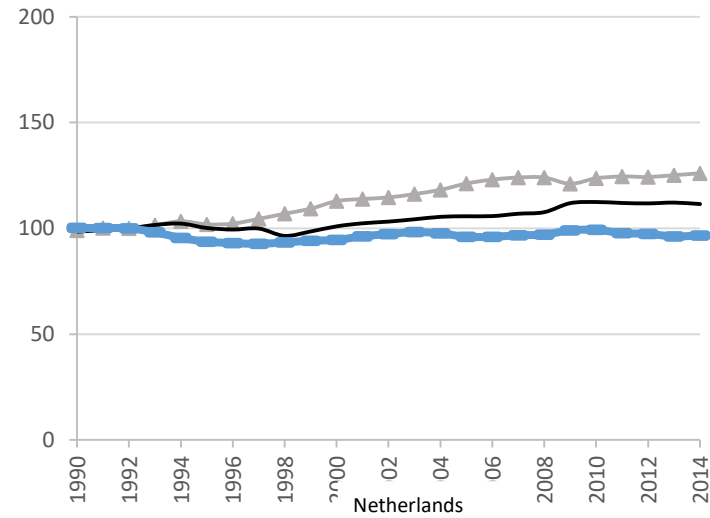
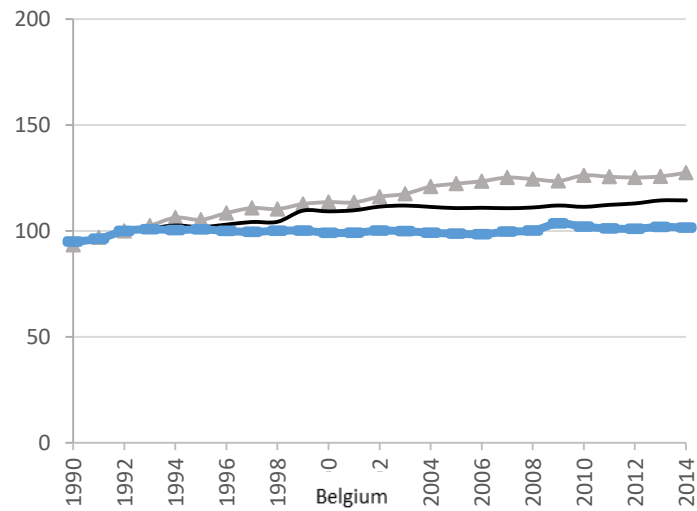
1. The unequal distribution of jobs among *individuals*
2. The unequal distribution of job growth across *households*

Polarisation : work rich & work poor households



1. Changing employment structure : the unequal distribution of jobs among individuals
- 2.Changing family structure & homogamy : the unequal distribution of job growth among households
- 3.*Decoupling productivity and (low) wage growth*

Decoupling productivity and wages

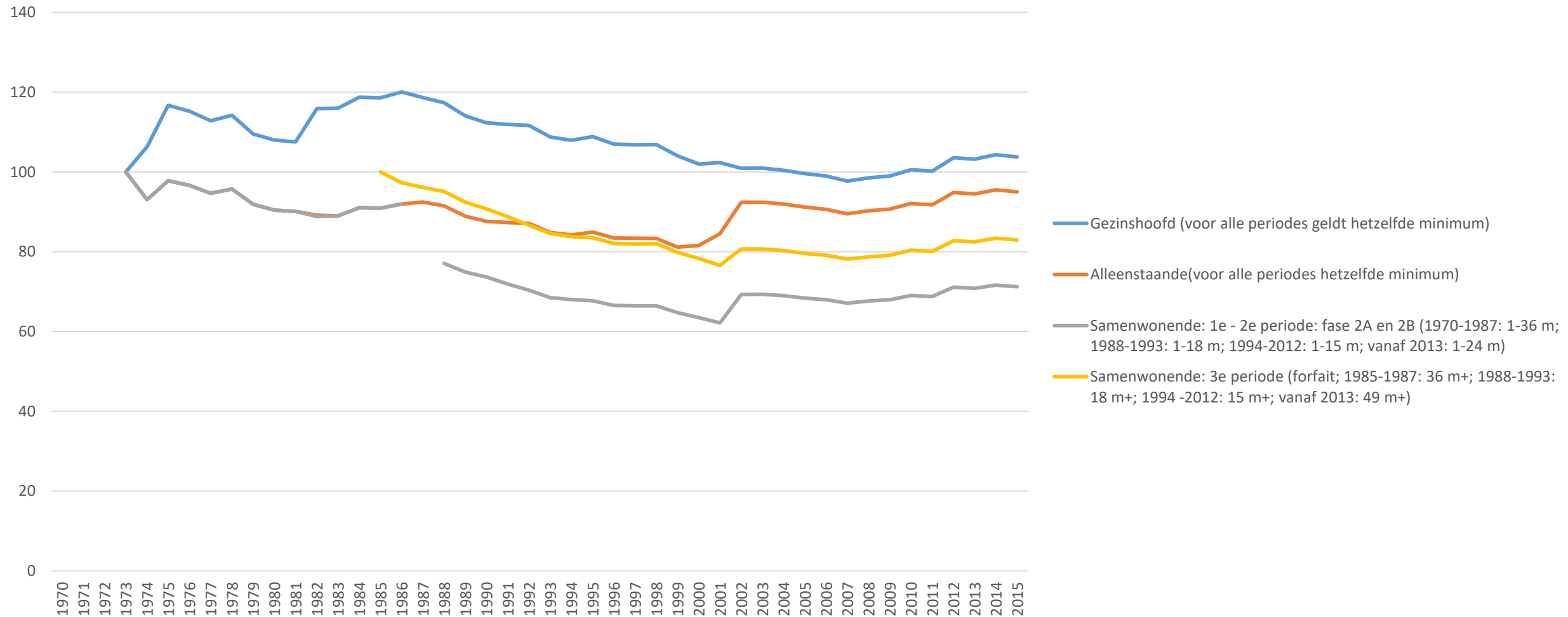


- ▲ GDP per hour worked - 1992 = 100
- Average wage (in FTE) - 1992 = 100
- Guaraenteerd minimum wage - 1992 = 100

Source: OESO: productivity data, Labour – earnings data.

1. The unequal distribution of jobs among individuals
2. The unequal distribution of job growth among households
3. Decoupling productivity and (low) wage growth
4. **Downward pressures on social protection for jobless households**

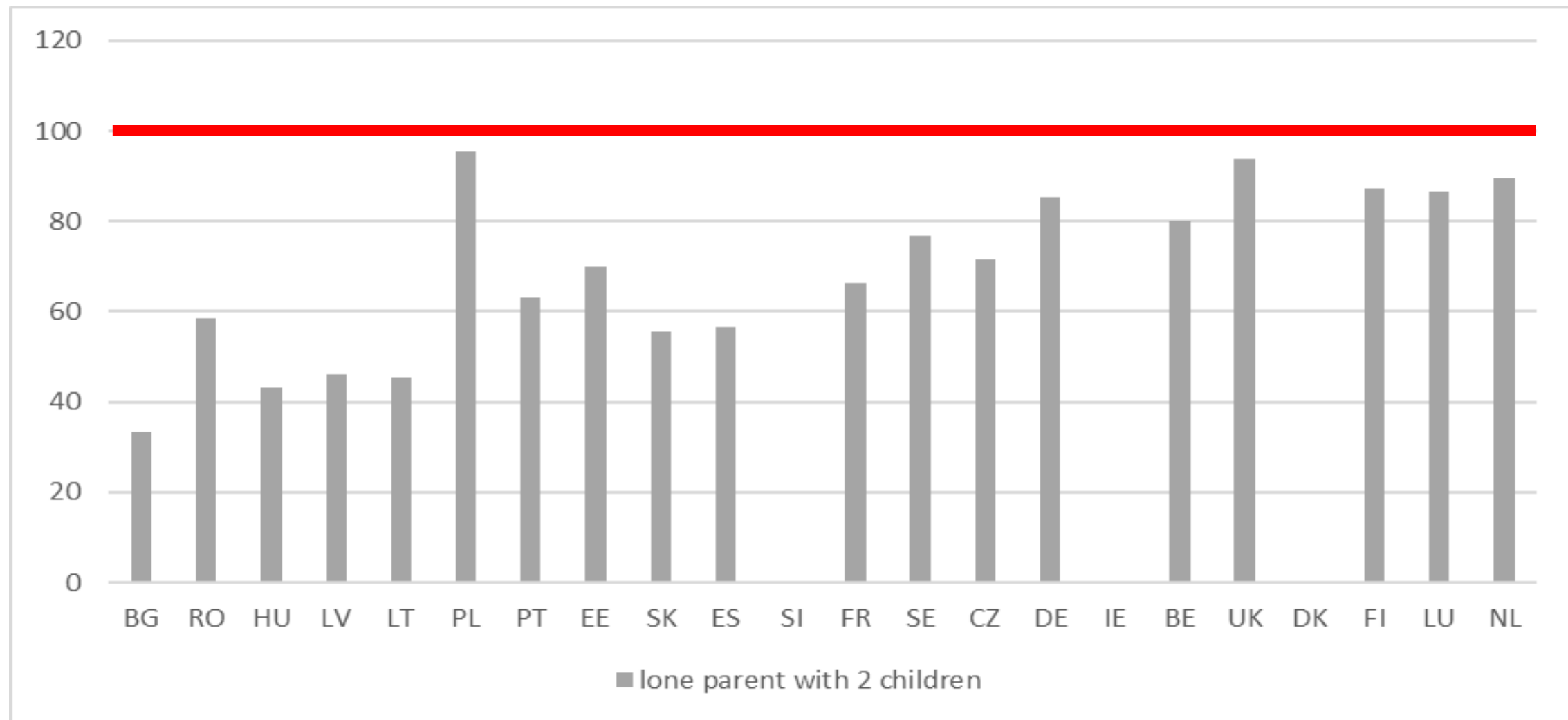
Belgium : unemployment benefits as a % of average wage , 1973 = 100



Noot: *Gemiddelde loonmassa per VTE: 1995-1998 gebaseerd op evolutie loonmassa per effectieven; 1999- 2013 gemiddelde loonmassa per VTE; gecorrigeerd voor tijdreeksbreuken. Sociale uitkeringen: 1970-2011 januaribedragen en 2012-2015 junibedragen.

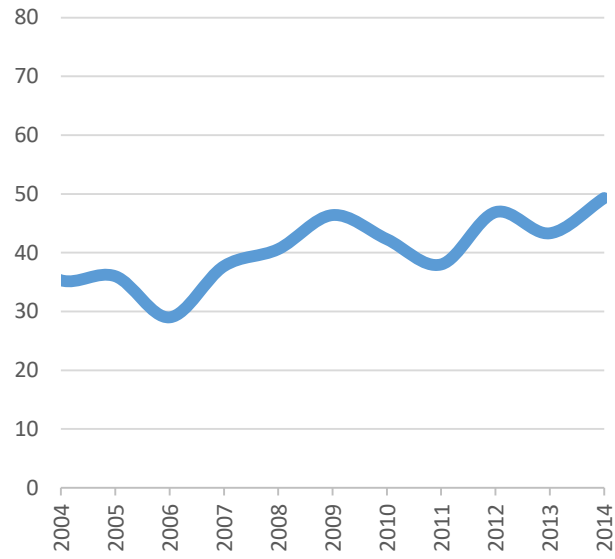
Bron: KOWESZ, berekeningen Centrum voor Sociaal Beleid Herman Deleeck door Linde Buysse.

Inadequate social floors



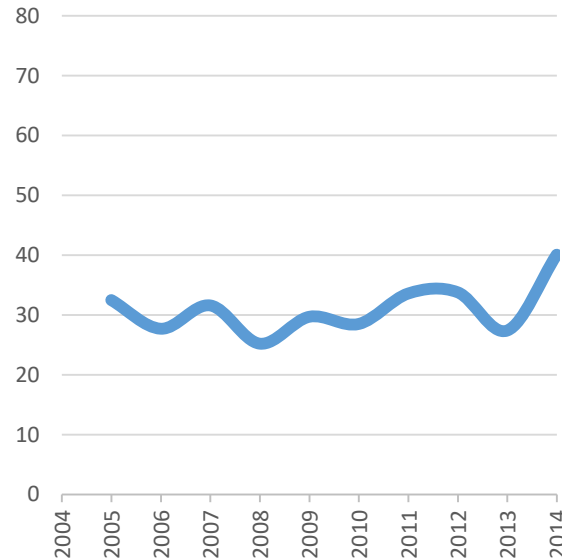
Increasing poverty among work poor households

Belgium



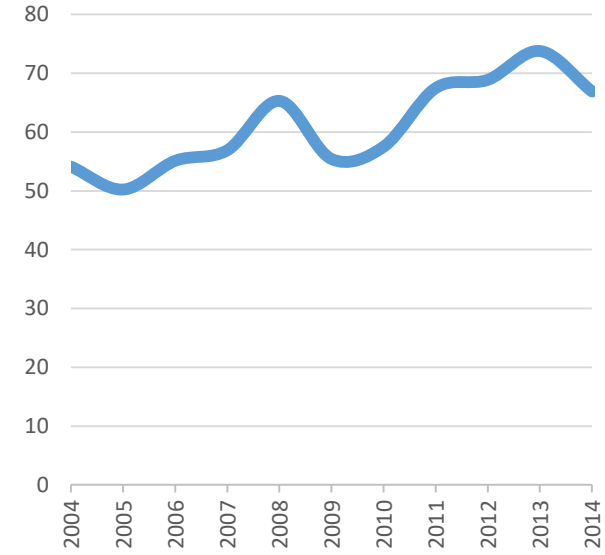
— Risk of poverty work-poor households [0;0,2]- BE

Netherlands



— Risk of poverty work-poor households [0;0,2]- NL

France

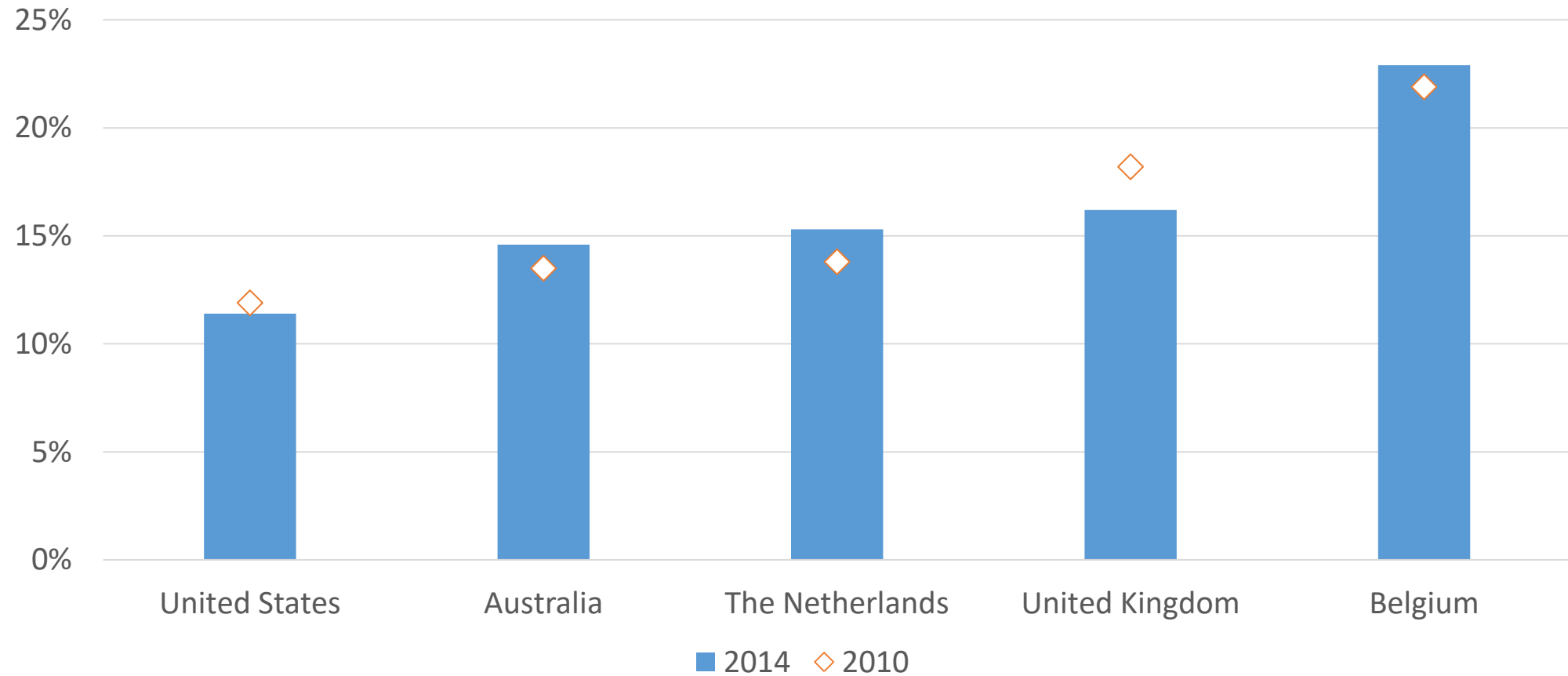


— Risk of poverty work-poor households [0;0,2]- FR

Social Fabrics at work



Reduction of market income inequality due to taxes and transfers



Source: OECD IDD database (accessed 8 February 2018).

What can be done ?



- NO “natural law”
- NO “one fits all” solutions (subsidiarity)
- NO easy solutions (social insurance, fair taxation, social investment, regulating new forms of work, social economy)

Which role for Europe ?

The End of the Post War Consensus

- Structural underemployment of the low skilled : the need for the social economy
- Productivity growth / wage growth : the need for adequate minimum wages
- Redistribution through social insurance : the need for a social floor
- Within the boundaries of the national welfare state : the need for embeddedness in a European Social Union

The failures of Lisbon and EU-2020 targets

- the legal asymmetry between economic and social standards
- the design failures in the architecture of the Eurozone
- the non-binding method of coordination
- the one sided focus on work related strategies

The European Pillar for Social Rights

- more powerful than harmonization of overly divergent policy instruments or attempts at convergence on overly vague objectives.
- But, how to deliver ?

Start with principle 14 on
minimum incomes in
combination with principle 6
on adequate minimum wages

10 Arguments

1. **Catering for the most vulnerable** should be the priority of the European Social Union.
2. Employment objectives are now firmly anchored in European and national social policy, so equivalent **European embedding of the minimum income guarantee** is also required.
3. Adequate social safety nets are an important element of social security for the **growing number of platform workers, self-employed and flexible workers**.
4. **Europe must create the conditions** needed to secure and enhance the social safety net offered by national welfare states.
5. Compacts on minimum incomes are **needed to support pan-European solidarity**.

6. Ensuring adequate minimum incomes is **essential to the success of the EPSR itself.**
7. Having an adequate and secure income is a **major concern for many European citizens** and this is not going to change.
8. A compact on minimum incomes **presupposes pan-European solidarity** because the poorest countries will have to make the greatest efforts to fulfil the promise of adequate incomes.
9. **The conditions** required for a major step towards the full exploitation of the potentials for guaranteeing adequate minimum incomes **are present.**
10. Implementing principle 14 of the EPSR **would fit well into the history of European social thought.**

EPSR

Start with principle 14 on
minimum incomes in
combination with principle 6
on adequate minimum wages