



POLICY PAPER

THE ROLE OF SOCIAL SERVICES IN FIGHTING INEQUALITIES IN EUROPE

Priority recommendations for fighting inequality through social services

- Whilst economic growth and job creation remain a top priority in the EU, it has been shown that a positive record in this regard will not necessarily mean that inequalities recede. Firstly, because labour markets today have become a source of inequality in themselves through the rise of sub-standard job patterns. Such employment patterns have often impacted low-skilled workers, as well as women, and hence cement pre-existing inequalities. Secondly, because positive changes in aggregate and average income need not necessarily translate into changes in the income share owned by the poorest quintiles of the population. Relying on economic growth to trickle down to the bottom income levels of EU populations is not realistic. Instead, ad hoc policies should be supported if more equal societies remain a priority.
- Reducing the growing divide between the rich and the poor requires a comprehensive package of policies where social services are part of fully-fledged strategy involving quality employment promotion, investment in human capital and ad hoc fiscal measures. Integrated policy approaches that look at the diverse, intertwined dimensions of inequality should be, therefore, privileged. In this respect, the Active Inclusion logic constitutes one good example which remains, however, vastly underdeveloped.
- Income inequality is core to understand inequalities at large but does not explain the full story. In this regard, equitable and universalist provision of services is key to supplement monetary redistribution and achieve more equal outcomes. In a context where EU competences are limited in the realm of tax mix and social policies, policy efforts at EU level should focus on ensuring quality service provision.
- Investing in Non-Profit Organisations is equivalent to investing in access to and quality of social services. NPOs are ensuring that no profit out of tax payers' money (public subsidies for organising social services) is taken out from the social cycle. NPOs serve all users in all regions and do not focus on specific users or groups (as opposed to free-market oriented services). NPOs create jobs at regional level and foster social cohesion, also through volunteering.
- Investing in people's skills is still one of the most effective paths to help people find decent, rewarding and self-fulfilling jobs. Work integration services, as provided by Eurodiaconia members to unemployed persons, persons experiencing poverty and social exclusion, migrants, persons with disabilities, etc., are, therefore, essential to build better and more equal opportunities for people and promote inclusive economic growth. However, skills are also key enablers for community building and participation of citizens of society; these are both relevant channels through which inequality is, first, voiced and, then, politically addressed.





- With specific focus to health inequalities, inequalities should be addressed by examining gaps in legislation, ensuring fair financing and allocation, and promoting quality standards in service provision. Investing in a qualified, well-trained workforce is key to that goal. The geographical availability of health care is strongly determined by the availability of health and social care staff, and differences in the density of health professions are a revealing indicator of regional gap in health outcomes.
- Equality is a twofold term which can be referred to egalitarian access to opportunities and also to egalitarian outcomes. Whilst the emphasis of most EU initiatives lies in the former –for instance, understood as similar life chances for all regardless of initial circumstances-, ensuring that all EU citizens enjoy similar outcomes is also desirable. In fact, the distinction between the two types of equality may become artificial, for instance when the transmission of disadvantage across generations is addressed. If outcomes inequality of parents' generations are not addressed, it is dubious that equal opportunities among children only lead to equality of outcomes in younger generations.
- Equitable investment in services should stress its regional dimension and target specifically rural and disadvantaged urban areas, alleviating structural and physical constraints that may impede access to universal provision.
- Building a social tripe A Europe is today an emergency and addressing inequalities should constitute a core element of such mission. In light of the disappointing results of the Europe 2020 strategy in terms of inequality implications, the forthcoming European Pillar of Social Rights should boost inequality up among EU priorities. In particular, it should be able to fully realise its potential to focus on equality of outcomes by way of stronger social benefits and services, in an equal footing with the current stress on equality of opportunities. In every case, inequality should be mainstreamed across EU policies –in particular, in the European Semester process- in order to render them consistent with global policy frameworks like the UN Sustainable Development Goals that highlight the need to 'reduce inequality within and among countries' (Goal 10).

Introduction

Inequality concerns variations in living standards across people. As a reflection of the multidimensional dimension of well-being, inequality touches upon a number of socioeconomic outcomes ranging from income and wealth to employment, education, health, energy, housing and access to services. Such outcomes, in turn, are dependent on people's characteristics and may be affected by inequalities of access related to gender, age, ethnic background or having a disability, among others.

The distribution of resources in a society is relevant from several points of view. Inequality has an effect on social cohesion, as well as the level and depth of poverty. Inequality also has strong implications for economic growth and determines citizens' participation in society, also as political actors. Beyond these, controlling for inequality levels is necessary to build fairer societies, an aim which resounds with the founding principles of the EU, which gave itself the mission 'to promote economic and social progress and a high level of employment and to achieve balanced and sustainable development (...) through the strengthening of economic and social cohesion'¹.

Inequality levels in Europe are today higher than several years ago. This phenomenon can be witnessed across the European Union –both between and within Member States-. Whilst a significant part of such inequality owes to the economic crisis of the last decade, rising inequalities in Europe were already a concern before the economic slump².

¹ Article 2, Treaty on European Union.

² As underlined, for instance, by OECD, *Growing unequal? Income distribution and poverty in OECD countries*, 2008.



Against this framework, the aim of this paper is to recall the European Union's role of promoting upward convergence, both economic and social, in a joint alliance with national social protection systems notwithstanding their institutional diversity.

Eurodiaconia is a dynamic, Europe-wide community of social and health care organisations founded in the Christian faith and working in the tradition of diaconal service, which are committed to promoting social justice. It represents more than 40 members working in over 30 countries, including churches, not-for-profit welfare organisations and NGOs. Together, they provide services to hundreds of thousands of persons in need across Europe. In the view of our members, social services are a central piece to building a fairer EU and should, therefore, be integrated in ongoing social policy initiatives which should be instrumental in fighting inequalities and build more equal societies. As stressed in our [Principles for Quality Diaconal Social Services: A renewed commitment and call for action](#), the affordability, quality and access to social services are core to this aim.

Where does inequality stand in the EU agenda?

During the presentation of the political guidelines for the incoming European Commission in July 2014, President Juncker recognised that 'there was a lack of social fairness' in the policy measures taken during the crisis. Building on this diagnosis, he aimed to renew the European Commission's action on the basis of an *Agenda for Jobs, Growth, Fairness and Democratic Change*, which identified the assessment of social impact of structural reforms as a priority, acknowledging that increased poverty and rising inequalities had been a consequence of these.

In his October 2014 address to the European Parliament, Juncker voiced his willingness for Europe to flag a 'social triple-A' rating, which should stand at the same level of importance as an economic and financial triple-A. In fact, stronger solidarity, in particular within the euro area, was stressed as one of the main parts of a deeper Economic and Monetary Union, as stressed by the Five Presidents' Report published in June 2015³.

Until now, the concrete meaning of a 'social triple A' remains unclear, as tangible policy delivery in the field of inequalities is still under development at best. In this regard, the draft proposal for a European Pillar of Social Rights, which is currently undergoing a public consultation process, constitutes the present Commission's flagship initiative to give new impetus to poverty reduction efforts and fight social exclusion. Far from a fully-fledged approach to the diverse dimensions (and causes) of inequality, the Pillar is concentrated in addressing inequalities in relation to employment. In this way, equal opportunities and access to services and benefits which ease integration into jobs are targeted as key instruments to fight inequalities. To this purpose, the Pillar aims to establish a reference framework for screening employment and social performance among eurozone countries, with the rest of Member States to join on a voluntary basis.

What is happening with (income) inequality?

Eurodiaconia members witness inequalities and their effects in their daily work. Solidarity and the fight against social injustice lie at the heart of Eurodiaconia members' activity as providers of social and health services. In its last Annual General Meeting, Eurodiaconia reflected around the concept of hospitality and its relation to people experiencing poverty and social exclusion⁴. In the view of Eurodiaconia, inequality creates social, economic and cultural divides which harm cohesion at local, national and global levels.

Such direct perception on inequalities is supported by data. The Growing Inequalities' Impacts (GINI) project measured the distribution of earnings and incomes in the EU in the long-run, e.g. over three decades until 2010. Over such time span, results showed how higher incomes in Europe were getting wealthier, whereas lower income groups were falling behind.

³ https://ec.europa.eu/priorities/sites/beta-political/files/5-presidents-report_en.pdf

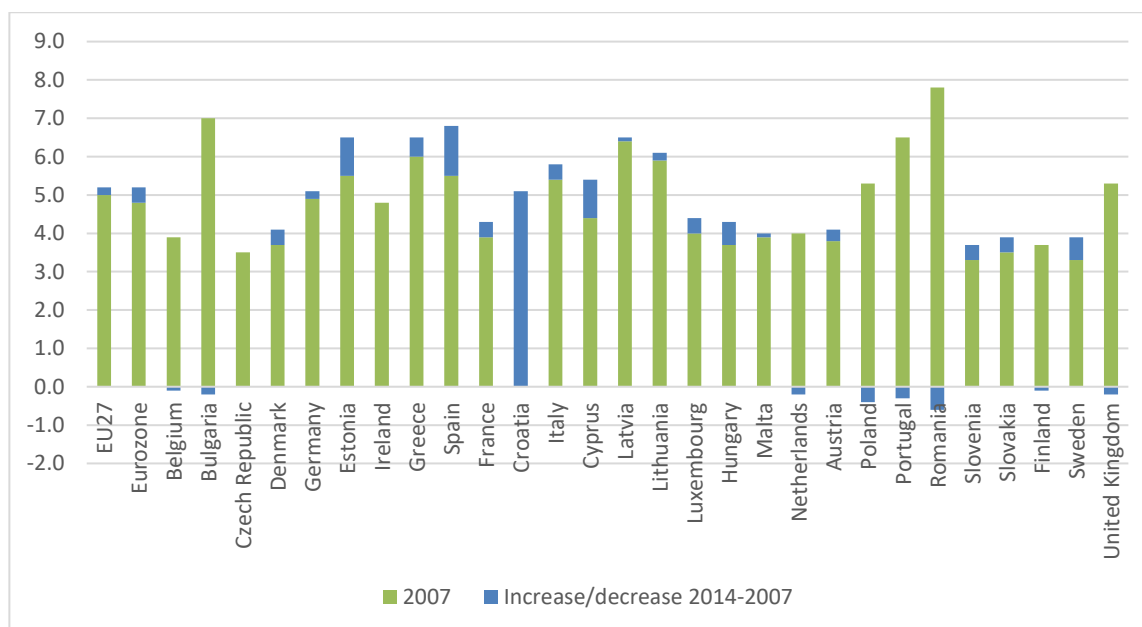
⁴ [Eurodiaconia AGM Declaration](#), adopted in Utrecht, on 10 June 2016



At present, income inequality in the EU –as measured by the Gini coefficient, which is a standard measure that scores 0 when everybody has the same level of income and 1 when all the income goes to one person- stands at an average of 0.309 (figure is referred to 2014, which is the last year in the Eurostat series). The corresponding figure in 2008 was 0.31 (slightly more inequality) but 0.29 in 2000. Such evolution supports that, from a chronological perspective, the greatest rise in inequality corresponds to the pre-crisis period.

Once attention is concentrated on the tails of the income distribution, the effects of the crisis on inequalities become more obvious. In this case, the ratio of income in the hands of the top 20% compared to that owned by the bottom 20% (S80/S20) has increased neatly in the EU and even more in the Eurozone (Figure 1).

Figure 1 Ratio of income received by top quintile earners with respect to that received by the bottom quintile (S80/S20), 2014 and 2007



Source: Eurostat, EU-SILC.

What the crisis has changed, however, is the inequality pattern between Eurozone countries and the rest of the EU. Whereas in 2008, the GINI coefficient in the Eurozone is 0.305 (lower than in the EU as a whole), the figure became 0.31 in 2014 (above the corresponding figure in the EU-27). The crisis has, therefore, made the Eurozone a more unequal region than the EU⁵.

The above figures are referred to incomes after social transfers. In fact, it is important to stress that tax systems and social benefits counteract a significant share of market inequalities and redistribute towards more equal outcomes. This is especially the story in EU countries, and the argument held true at least during the first years of the last economic crisis, where the drop in average disposable income could be partly compensated by tax benefits, social benefits and other

⁵ Note also that income inequality in OECD countries stands at an average of 0.315 in 2013.



redistribution measures. More recently, however, sluggish economic performance coupled with high unemployment rates have been met with strict economic policies which gave priority to fiscal consolidation measures and resulted in significant cuts on social benefits and social investment. In addition, some measures have deepened the distributive bias of fiscal consolidation policies, for instance the rise of indirect taxation. As income inequalities before transfers have continued to rise, the cushioning effect of fiscal measures has become weaker in this context, thereby accelerating the overall upwards trends in disposable income inequality.

Why inequality is economically wrong

Economic theory has long looked at inequality in relation to its impact on economic growth. In countries with high inequalities, an important share of the population have problems to access **key enabling resources**, notably education and employment, and therefore miss the opportunity to make a productive contribution to society. Eurodiaconia members' work directly in the provision of work integration and related social services for unemployed people, persons experiencing poverty and social exclusion, migrants, refugees and asylum seekers or persons with disabilities. Through this action, Eurodiaconia sees in employment a key driver for inclusion of people in their communities.

Inequality is harmful for growth because it prevents the poor from the ability to stay healthy, and accumulate human capital. Inequality is a robust and powerful determinant of the pace of medium-term growth and the duration of growth spells⁶. It is, therefore, a mistake to focus on economic growth alone expecting that more equality follows as a result. When such trickle down approach is taken, the resulting growth is usually low and not sustainable. Conversely, the higher inequality is, the higher growth rates need to be to reduce poverty levels.

Today's **employment-related inequalities** illustrate very well why the market alone cannot always yield desirable distributional outcomes. As Vandenbroucke and Rinaldi (2015) have stressed⁷, the poverty risk of individuals is crucially determined by the labour market participation of the members of the household in which individuals live. Economic downturns decrease employment and this is still a logical explanation of increased poverty risks in Europe than before the crisis. However, the last crisis (and the years leading to it) has produced significant changes which explain the greater impact of poverty on in-work households, especially in the work-poor ones. In this regard, the quality of jobs has decreased in a significant manner as low-pay jobs, short-term contracts, bogus self-employment and other odd employment arrangements have become more prevalent. Secondly, social protection systems have adopted an activation turn with less generous social provisions for jobless people which have widened the gap with people in employment. These two red lights are fully in line with Eurodiaconia's repeated emphasis on the need to integrate employment and social interventions in a holistic manner, as work alone may not always be conducive to full inclusion in society when not integrated with accompanying social services.

Inequalities in human capital should be examined as well, at least for two key reasons. As it has already been suggested, gaps in education translate into a waste of human capital and a missed opportunity for economic growth. Secondly, inequalities in this realm are a good predictor of lower opportunities and poor employment performance, announcing future poverty risks. Eurodiaconia sees skills as a bridge to build better and more equal opportunities for people and promote inclusive economic growth. In addition, skills are key enablers for community building and citizenship, and Eurodiaconia members provide and stress the importance of non-formal education and skills, also transferable to the labour market, through social and community activities, as well as by volunteering opportunities.

⁶ Ostry, Berg and Tsangarides (2014), redistribution, inequality and growth, IMF discussion note, SDN/14/02

⁷ F. Vandenbroucke and D. Rinaldi, 'Social inequalities in Europe. The challenges of convergence and cohesion', *Project 'Vision Europe'*, policy paper 47, December 2015



If the analysis of human capital is restricted to formal education, there is evidence of upward convergence across Europe in spite of some heterogeneity, for instance, in the share of formally high-skilled individuals⁸. The headline targets of the Europe 2020 strategy with regard to education are focussed on the formal aspects of human capital only. However, there are other sides of this story. Firstly, upward convergence in formal education is less pronounced for children; an alert for the possibility to eradicate the transmission of social exclusion. The 2013 Recommendation on 'Investing on Children: breaking the cycle of disadvantage', highlighted the need to invest in early child education and care services to break the cycle of disadvantage in early years and invest in children to fully realise their capacities.

Secondly, the divide in actual skills is, far from closing, growing. Vandenbroucke and Rinaldi (2015) provide a revealing picture on the contrast between formal education and actual skill levels in Europe (using reading proficiency as an overall proxy). Whilst almost all countries present an improvement in terms of educational attainment, the share of low-skilled individuals increased in 9 Member States, in 14 countries the share of top performing pupils decreased or showed no sizable increase. In light of these, the EU has taken some steps as well. On the skills side, the European Commission adopted in June 2016 a [New Skills Agenda for Europe](#) to boost human capital, employability and competitiveness. In its response to the Agenda⁹, Eurodiaconia stressed that, whilst agreeing with the strategic need to make the EU a more competitive economic area through more and better skills, the positive social distributive effects of investing in skills cannot be overlooked, especially in the light of rising inequalities during the years of economic crisis.

Looking at inequality beyond income disparities

Inequalities are usually assessed through the analysis of income disparities. However, a more holistic understanding of equality of opportunities and outcomes should also incorporate other dimensions such as health, environment and well-being outcomes, even if measurement becomes more complicated in these cases. While these dimensions have a self-standing relevance, it is important to stress their key role also in terms of economic performance; e.g. a healthier, self-fulfilled workforce is also a more productive one, etc.

Concentrating on **health inequalities**, the crisis has impacted the way in which EU citizens access health care, as austerity measures have often translated into less accessible, affordable and lower quality health care, by way of staffing and financing cuts, longer waiting lists and rise of out-of-pocket payments. In addition, geographical factors such as the remoteness of service providers, should be evaluated as part of inequalities. Eurodiaconia has often stressed the adverse effects entailed by the crisis' impact on social services, underlining that the provision of services should be observed from a rights-based approach, as supported by the *European Social Charter* and the *Charter of Fundamental Rights*¹⁰.

Health inequalities can be initially estimated through differences in life expectancy, through an outcome oriented perspective. Data on self-reported assessment of unmet needs for medical examinations, as supplied by the EU-SILC database, illustrate how inequalities are perceived by service users.

The results in each case offer an interesting picture. If we look at unmet needs as self-reported by users, we see that the increase during the years of crisis was milder than the more pronounced drop experienced during prosperity years. However, a widening gap between the lowest 20% of the population and the average can be perceived from 2013 onwards.

⁸ Vandenbroucke and Rinaldi (2015), p. 19

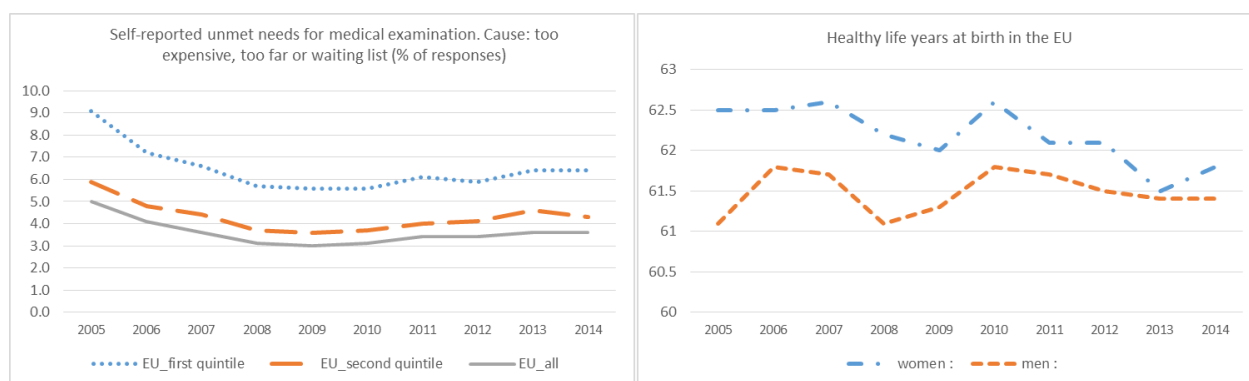
⁹ For Eurodiaconia's response to the New Skills Agenda for Europe, see [here](#). The initiative follows the steps of previous similar actions, such as the 2010 Agenda for new skills and jobs or the 2008 New Skills for New Jobs, with similar objectives.

¹⁰ Among the rights and principles to be pursued by all appropriate means both national and international in character is to benefit from social welfare services (art. 14), [European Social Charter](#); and arts. 34-36 of the [Charter of Fundamental Rights of the EU](#) recognizing the rights to social assistance, health services and services of general economic interest.



On the other hand, outcomes –in this case measured as healthy life years at birth- offer a clearer insight of how the crisis has produced a significant drop on health status, in particular among women¹¹.

Figure 2 Health outcomes in the EU, 2005-2014



Source: Eurostat, EU-SILC.

When the focus lies on non-income inequalities, and those related to access to services in particular, the limitations of monetary redistribution become clear. Even benefitting from higher disposable income after redistribution has taken place, some people might not experience improved health outcomes because they lack access to or control over health services provision. In fact, unconditional transfers usually work best for people who have the resources –time, access to services, education, ability to take childcare leave, etc) to use such programmes and link monetary benefits to services' use effectively¹². In addition, even with increased income may not automatically lead to improved health outcomes if users still lack access to and control over non-income related determinants of health. The absence of a direct link between lower income inequality and better health outcomes demonstrates that there is a missing part of the picture¹³. It is likely that, in cases where income inequality is not particularly low but health outcomes are high (usually measured through life expectancy), greater access to direct health services reduce the impact of health inequalities in an effective manner.

In fact, universal approaches involving certain direct services reduce the impact of social inequalities, and realise services' full potential as transformative policy instruments, acting as powerful drivers of solidarity and social inclusion, improving the capabilities of people, and the poor in particular¹⁴. By contrast, systems that are fragmented among different providers, programmes and financing sources have a more limited potential for redistribution and generally result in higher costs, lower quality levels and less accessible services for low income users. Access to services is therefore key to counterbalance part of the effects of income inequalities.

¹¹ There are no data available on healthy life years at birth by income levels.

¹² B. Starfield and A-E. Birn, 'Income redistribution is not enough: income inequality, social welfare programs, and achieving equity in health', *Journal of Epidemiological Community Health*, 2007, 61: 1038-1041

¹³ RG Wilkinson and KE Pickett, 'Income inequality and population health: a review and explanation of the evidence', *Social Science & Medicine*, 2006, 62, pp. 1768-1784.

¹⁴ UN Research Institute for Social Development, 'Universal provision of social services', chapter 6 of *Combating poverty and inequalities. Structural change, social policy and politics*, 2010, Geneva, pp. 161-184



In this respect, stress on primary health care should be pursued as a way to render the impact of accessible services even greater. As such, evidence supports the high levels of performance of primary care functions are related to the distribution of health resources according to need –rather than demand-, low or no co-payments and financing provided or regulated by national governments as a guarantee equity of access.

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