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POVERTY, INEQUALITY AND SOCIAL EXCLUSION/INCLUSION IN SOUTH EUROPE

MASTER'S THESIS

OF

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Abstract

Southern European welfare states have only recently become the specific subject of academic interests as they are affected more from the economic crisis that began on 2008 and is still in force. Poverty, income inequality and social exclusion are some of the difficulties that they should handle with and overcome and for this reason both the Europe and the governance from each country have planned to organize special programs for improving the situation and the level of the sustainability of their citizens. The goal of this thesis is to present and analyze the phenomenon of poverty and to examine its consequences in terms of inequality (specifically income inequality) and social exclusion for Spain, Portugal, Greece and Italy.

Key words: South Europe, Poverty, Income Inequality, Social Exclusion, Economic Crisis

Περίληψη

Το τελευταίο διάστημα οι χώρες της Νότιας Ευρώπης αποτελούν έντονο αντικείμενο ακαδημαϊκού ενδιαφέροντος καθώς επηρεάστηκαν περισσότερο από την οικονομική κρίση η οποία ξεκίνησε το 2008 και συνεχίζεται μέχρι και σήμερα. Η έννοιες της φτώχειας, της οικονομικής ανισότητας και του κοινωνικού αποκλεισμού είναι κάποιες από τις δυσκολίες που οι συγκριμένες χώρες καλούνται να αντιμετωπίσουν και ξεπεράσουν και για αυτό τον λόγο η Ευρώπη και η κυβέρνηση της κάθε χώρας σχεδιάζουν ειδικά προγράμματα προκειμένου να βελτιστοποιηθεί η κατάσταση και να βελτιωθεί το επίπεδο βιωσιμότητας των κατοίκων. Στόχος της συγκεκριμένης διατριβής είναι να παρουσιάσει και αν αναλύσει το φαινόμενο της φτώχειας καθώς και να εξετάσει τα αποτελέσματα αυτού όπως είναι οι ανισότητες (κυρίως οι οικονομικές ανισότητες) και ο κοινωνικός αποκλεισμός στην Ισπανία, Πορτογαλία, Ελλάδα και Ιταλία.

Λέξεις κλειδιά: Νότια Ευρώπη, Οικονομική Ανισότητα, Κοινωνικός Αποκλεισμός, Οικονομική Κρίση

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[1] Calculated at 60% of median equivalised income

Introduction

Europe is one of the richest areas in the world even if around 84 million Europeans live below the poverty line and many citizens, especially after 2008, face serious obstacles in accessing employment, education, housing, social services and financial services.

The financial crisis that originated in the United States in 2008 sparked a global crisis, which quickly spread across the Atlantic and shook the very foundations of the euro zone project. The ensuing sovereign debt crisis has called into questions the principles and institutional mechanisms of the EU's economic governance, especially those of the Economic and Monetary Union (EMU), causing divisions between and within individual member states and deep popular discontent across the continent. The political setting in the most troubled countries has become more unstable, with growing tensions emerging both at the institutional level and between the central and local governments. The crisis has highlighted the inherent contradictions of a project that has failed to progress from the creation of a common currency into a genuine fiscal and political union.

Southern European countries have been the hardest hit by the crisis, as mounting public debt, combined with slow or inexistent economic growth, pushed nation after nation closer to the precipice of bankruptcy. The climate of resentment and mistrust that has taken root between northern and southern Europe is one of the biggest obstacles for the adoption of an effective crisis management strategy. European countries that have submitted to bailout programs have in effect been forced to outsource economic policy to Brussels, and this in turn has stirred resentment against EU institutions.

For Southern European countries, there is a high risk of remaining trapped in a vicious circle of stringent austerity measures, growing indebtedness, and economic stagnation, even if some countries as Spain show in 2015 some initial positives signs as regards growth and unemployment. Populist parties and groups are benefitting from rising popular frustration and may be able to obstruct fiscal adjustment and reform efforts. While important steps have been made at the EU level to mitigate the effects of the financial crisis - especially since the middle of 2012 - much more has to be done in order to restore confidence in the euro's survival.

In such a context, the goal of the present work is to describe and analyze the phenomenon of poverty and to examine its consequences in terms of inequality (specifically income inequality) and social exclusion. This research is focused on the countries belonging to the South of Europe that is: Spain, Italy, Portugal and Greece which are at the same time the Member States that suffer most from the economic crisis. The first chapter of the present work is setting the basis for adequate methodological approaches of the three examined phenomena: poverty, inequality and social exclusion phenomena that are closely related to each other. As poverty is a multidimensional issue, it is very important to propose different measures contributing to detect its main causes. Among the different indicators of poverty, the most commonly examined are the at-risk-of-poverty rate (AROP), the severe material deprivation rate, the work intensity of the household and lastly the at-risk of poverty and social exclusion (AROPE). Generally poverty contributes to increase income inequality. For this reason, it is also important to clearly define the most widely used income inequality's indicators and present their mode of calculation.

It is worldwide known that income inequality is an indicator of how material resources are distributed across society. Some people consider high levels of income inequality are morally undesirable. Others authors focus on income inequality because they consider that it causes conflicts, limits co-operation or creates psychological and physical health stresses (Wilkinson and Pickett, 2009). Often the policy concern is more focused on the direction of change of inequality, rather than its level. Some of the most well known ways for measuring it are the Decile Dispersion Ratio, the Lorenz curve, the Gini coefficient and the Theil Index.

Poverty is also a source of social exclusion, a complex and multi-dimensional process. It involves the lack of resources, rights, goods and services, and the inability to participate in the normal relationships and activities, available to the majority of people in a society, whether in economic, social, cultural or political arenas. It affects both the quality of life of individuals and the equity and cohesion of society as a whole. Moreover, for measuring it there are many indicators such as education indicators or labor markets.

The second chapter is focused on the level of poverty and income inequality before the beginning of the crisis. For each one of the four Southern European countries, a brief profile is set up in order to put in evidence not only the common figures between these countries but also their different situation when the crisis broke out and serious austerity measures were decided and implemented.

In the third chapter, we propose an overall evaluation of the social impact of the crisis in the four countries, giving emphasis to the different risk of poverty rates as they are calculated in the context of the EU Statistics on Income and Living Conditions (SILC). This instrument is a very useful one because it collects timely and comparable cross-sectional and longitudinal multidimensional data on income, poverty, social exclusion and living conditions. The evolution of the risk of poverty rates (after 2008) allows us to better understand the distributional impact of the recession and the austerity measures in South Europe.

The fourth chapter has to do with the social exclusion in the "Southern Europe" during the period of the economic crisis. It is focused on all these factors that contribute to leave groups of society isolated such as labor market, education and health system. Moreover, the analysis of detailed tables and figures allowed us to clarify why all these indicators affect the society and make them to be in the margin.

Lastly, in the fifth chapter we present how the societies of South Europe can combat the phenomenon of social exclusion. The main objective of this chapter is to examine how the factors that cause social exclusion can be improved in order to fight and overcome it and finally, people can join the society and live their life without barriers.

1 A Methodological approach of poverty, social exclusion and inequality

Poverty, social exclusion and inequalities are concepts closely related to each other. Poverty corresponds to a multidimensional situation including insufficient income to afford the–daily and basic expenses until not studying at school or having access to health services. Social exclusion is one of the results of poverty and means being unable to take part in societal life because of a lack of resources that are normally available to the general population. Also, it can refer to both individuals and communities in a broader framework with linked problems such as low incomes, poor housing, high crime environments and family problems. Moreover, both poverty and social exclusion are extremely linked with inequality as they are part of the same problem. Most of the times, high levels of inequality make difficult to reduce poverty and erase social exclusion even when economies are growing while poor countries are generally more unequal than rich ones (Rethinking Poverty, Report on the World Social Situation, 2010:31-36) Inequalities are closely related to wealth and income status, health and education outcomes, gender and ethnicity as well as access to employment and social services (Sarah Cook, 2011).

Consequently, poverty, inequality and social exclusion are multidimensional and complex concepts that is necessary to clarify in order to provide a more clear definition of what we mean in the present work by these meanings. The second goal is to examine in which extent and through which process these concepts are closely related to each other.

1.1 Poverty: a socio-economic phenomenon

The 2008 crisis and the protracted period of instability and stagnation that ensued, is accompanied by an increase in poverty across the EU (Dagdeviren, 2014). Inside the Member States most severely hit by the crisis, the detection of the most vulnerable groups of population is a major source of concern. The consequences have not only an economic dimension but also a social one with important risks in terms of social cohesion.

Poverty is a multidimensional concept relating not only to the lack of income and wealth in a society but also on how resources are distributed and the extent to which members have equal access to public goods, services, social interactions (social exclusion). As different indicators provide information along various dimensions, these may fail to provide immediately a clear and unambiguous picture, and it may actually happen that, for the same situation, different poverty indicators show opposite trends.
Moreover, it is possible to distinguish two concepts of poverty: the absolute / extreme poverty which is mainly related to the access to a range of services and the relative one which is expressed in monetary and non monetary terms.

“*Absolute poverty is a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information*”,(World Summit on Social Development, 1995 cited by Eurostat, 2010:6).

The relative poverty that was first retained by the European Council (1975) is a more widespread concept because it is not concerning only some groups of population as Roma but includes different characteristics of disadvantage restricting their access to fundamental rights.

“*People are said to be living in poverty if income and resources are so inadequate as to preclude them from having a standard of living, considered acceptable in the society in which they live. Because of their poverty they may experience multiple disadvantages unemployment, low income, poor housing, inadequate health care and barriers to lifelong learning, culture, sport and recreation. They are often excluded and marginalized from participating in activities (economic, social and cultural) that are the norm for other people and their access to fundamental rights may be restricted*”, (European Council, 1975 cited by Eurostat, 2010:6).

The present analysis focuses both on the concept of material poverty, expressed by the Eurostat indicator of *severe material deprivation* and the concept of *relative monetary poverty*, as measured by the Eurostat indicator of risk of poverty or the anchored at risk of poverty indicators). Because the objective of the work is to analyze the situation in EU Member States during the period before and after the beginning of the current economic crisis (from 2005 to 2011-2012, depending on data availability), an important question concerns the measure of this phenomenon.

The analysis attempts to disentangle the direct effects of the crisis, mostly linked to the fall in per-capita income and increased joblessness, with the more indirect effects arising from a changed behavior of policy authorities. As a result of the deterioration in government budgets ensuing from the crisis, fiscal consolidation measures were put in place to ensure debt solvency, with implications for aggregate demand and economic activity.

At the same time, policies during the crisis are also concerned with the composition of revenues and expenditures, with implications not only for aggregate income but also for its distribution (e.g., via a different degree of progressivity of the taxation system, revised generosity and eligibility conditions for government transfers, etc.) as well as with structural reforms to favor adjustment and growth, which also had some redistributive impact. In the following analysis there will be an attempt to shed light on these indirect effects coming from a change of policy authorities' behavior, focusing on the type of policy with the likely most direct impact on poverty outcomes, namely, social protection expenditure. (Jonathan Haughton, Shahidur R. Khandker, 2009; Matteo Duiella and Alessandro Turrini , 2014)

1.1.1 Measuring poverty

Poverty measurement requires: (i) defining a variable representing the living standard of individuals (generally income), (ii) defining a threshold for such a variable that permits to distinguish which individuals can be considered as "poor", (iii) constructing synthetic indicators measuring how much poverty is an issue in a given society (country, region,..). The definition of individuals' income is also non-obvious, as poverty measurement requires assessing the socio-economic status of individuals in order to take into account different situations as for example individuals that are not supposed to gain own income because not in working age or not employable. For this purpose, the first relevant unit of observation is the household while the relevant income concept is the equivalized disposable income, i.e., the income (after taxes and transfers) of the whole household imputed to its members. Consequently, it is possible to measure the disposable income by household's member which is the most relevant indicator because it takes into consideration the household's size.

Since poverty is a multidimensional concept which relates to overall economic conditions, income distribution and social exclusion, a number of indicators are available, providing complementary information along different dimensions and according to different definitions of poverty. In the economic literature a general distinction is made between absolute and relative standards of poverty: absolute poverty thresholds are defined with reference to minimum standards of living, expressed for instance in terms of a reference monetary budget required to afford a minimum consumption basket, or in terms of self-reported inability to afford a given set of goods and services. Such standards can be defined consistently both over time and between countries. In the case of relative poverty standards, the threshold is instead defined with reference to the relative position of individuals with respect to some moment of the income distribution. Such a threshold therefore changes in time and space and is linked to income inequality. Various synthetic indicators can be constructed against these different concepts. In the EU surveillance framework (Bertrand Maitre, Brian Nolan and Christofer Whelan, 2013), a battery of indicators has been agreed for the monitoring of poverty developments and the assessment of progress towards Europe 2020 poverty targets. The main proposed measures are the following:

i. ***The at-risk-of-poverty rate*** (AROP) is defined as the share of individuals whose equivalised disposable income falls below a given threshold (the standard threshold being 60% of the median income). It provides a measure of relative poverty, and in this respect it should be considered as a statistic describing the income distribution. In interpreting the evolution of this indicator over time, variations in the threshold's level following developments in average incomes need to be taken into account: it is not uncommon that during recessions mean and median incomes are also affected, potentially causing the at-risk-of-poverty rate to decrease. (Coudouel, A., S. Jesko, S. Hentschel and Q. T. Wodon, 2002, 27-74).

ii. ***The severe material deprivation rate*** is defined as the enforced inability to pay unexpected expenses or to afford certain goods or services considered to be desirable and necessary to lead an "adequate" life (with reference to life standards of advanced economies). More specifically, the indicator is defined as the share of individuals in the population who are unable to afford at least four out of nine such items (to pay the rent, mortgage or utility bills; to keep the home adequately warm; to face unexpected expenses; to eat meat or proteins regularly; to go on holiday; to buy a television set; a washing machine; a car; a telephone). As the set of items used to define this EU indicator is predefined and common to all countries, the severe material deprivation rate has a more absolute character than the at-risk-of poverty which relates to national median incomes. By measuring poverty in terms of the capacity to meet certain expenditures (output measure), it differs from monetary indicators of absolute poverty which are based on incomes (input measures).

iii. ***The work intensity of the household*** is the ratio between the number of months – corrected by part-time work – worked by all working-age members of the household in a year, and the total number of months that household members could have theoretically worked. The indicator of persons living in households with low work intensity is given by the share of people living in households with work intensity below the threshold value of 0.20. This indicator is closely related to the evolution of labor market outcomes such as inactivity, unemployment, part-time and temporary work, but it also includes factors relative to differences in household composition and the possible varying distribution of job losses across and within households.

iv. The headline indicator to monitor the EU 2020 Strategy target on poverty is the ***at risk of poverty and social exclusion (AROPE) rate***, which is defined as the share of people in the overall population that are either at risk of poverty or severely deprived or living in a household with very low work intensity (jobless or quasi-jobless households). It is therefore a combination of the three above described indicators, each one relating to a specific social condition.

Nevertheless, for a comprehensive and in-depth analysis of the phenomena, it is often suggested to take into consideration additional indicators, in order to better appreciate the EU 2020 headline poverty indicator and its components (Social Protection Committee Indicators Sub-group EU social indicators - Europe 2020 poverty and social exclusion target).Among them, we can mention:

- labor market indicators (total, youth and long-term un-employment, employment and activity rates, migration flows, share of part-time and temporary employment, discouraged jobseekers, etc.);
- additional poverty and inequality indicators (in-work poverty, anchored at risk of poverty, poverty gap, persistence of poverty, mean and median equivalized disposable income, Gini index, financial distress indicators, etc.) and,
- measures of availability and affordability of public goods and services (public expenditure for social protection, education, healthcare, childcare and labor market

policies, self-reported unmet needs for medical examination, early school living rates, etc.).

Moreover, looking at various breakdowns of the population according to selected economic and socio-demographic characteristics (such as age, gender, migrant status, household composition, geographical region and labor market status) contributes to refine our analysis. For example, the structure by age and family composition provides information on poverty outcomes for children as well as for elderly population or single-parent households. Similarly, the structure by economic and employment status allows to assess the incidence of in-work poverty as well as the conditions feared by the unemployed or the retirees. (Galí, J. and R. Perotti ,2003:533-572).

1.2 Social exclusion

The concept of ‘social exclusion’ firstly appeared in Europe, when the issue of spatial exclusion emerged. In this context, since 1988, the European Commission decided to define and implement policies focused on ‘deprived areas’, where poor housing, inadequate social services, weak political voice and lack of decent work all combine to create a process of marginalization. The well-known "economic and social cohesion policy" mobilizes about 30% of the budget of the European Union through the use of Structural Funds (Champetier, 2003).

However, there are various understandings of social exclusion and integration. Social exclusion is a socially constructed concept, and can depend on an idea of what is considered ‘normal’. In many developing countries, where most people do not enjoy an acceptable standard of living, defining what is ‘normal’ is not a simple task, especially given the lack of the welfare state and a formalized labor market. Indeed, as social exclusion can be structured around hierarchy, the exclusion of people on the basis of their race, caste or gender, may be viewed by the society excluding them as ‘normal’. Consequently, the concept of social exclusion is often contested, because it is very difficult to ‘objectively’ identify who is socially excluded, as it is a matter of the criteria adopted and the judgments used. Moreover, social exclusion can be characterized from another point of view as a multidimensional concept and can encompass a lack of access to employment, legal redress and market, political voice and poor social relationships, as stipulated by the EU’s social inclusion process.

"*Social exclusion is a process whereby certain individuals are pushed to the edge of society and prevented from participating fully by virtue of their poverty, or lack of basic competencies and lifelong learning opportunities, or as a result of discrimination. This distances them from job, income and education opportunities as well as social and community networks and activities. They have little access to power and decision-making bodies and thus often feeling powerless and unable to take control over the decisions that affect their day to day lives"*, (Eurostat, 2010:7).

Despite social exclusion there are other forms of this phenomenon such as the political, the economic and cultural one. Political exclusion can include the denial of citizenship rights such as political participation and the right to organize, and also of personal security, the rule of law, freedom of expression and equality of opportunity. Bhalla and Lapeyre (1997) argue that "political exclusion also involves the notion that the state, which grants basic rights and civil liberties, is not a neutral agency but a vehicle of a society's dominant classes, and may thus discriminate between social groups". The economic exclusion includes lack of access to labor markets, credit and other forms of capital assets, especially housing. Lastly, cultural exclusion refers to the extent to which diverse values and ways of living are accepted and respected. These relationships are interconnected and overlapping, and given the complexity of influences on individuals, it is impossible to identify a single specific cause in the context of social exclusion. People may be excluded because of deliberate action on the part of others (e.g. discrimination by employers); as a result of processes in society which do not involve deliberate action; or even by choice. However, more generally, the causes of social exclusion that lead to poverty, suffering and sometimes death, can be attributed to the operations of unequal power relations.

A question that is raised from the above is about what are the reasons and causes for measuring the concept of social exclusion? It is self-evident that it is important for governments to have a gauge of the wellbeing of their citizens. In this context, the European Parliament and the Council designated the year 2010 as the European year for combating poverty and social exclusion. One of the main objectives of this Decision (No 1098/2008/EC) was the "recognition of rights for all people, but especially those in a situation of poverty and social exclusion, to live in dignity and take part in society" (Eurostat, 2010:5). However, common aggregate measures of living standards, such as Gross Domestic Product per capita, provide only partial information and need to be supplemented with indicators of how these resources and the opportunities associated

with these resources are being distributed. In any discussion about social disadvantage or in this case social exclusion, it is therefore essential to know how many people are excluded or at risk to be excluded, who is the concerned population, and what is the nature of their disadvantage. Having a robust measure of social exclusion also provides a baseline in order to identify whether governments’ social exclusion policies are working and enables stakeholders to benchmark and monitor performance. It also enables governments to monitor development across countries. A social exclusion approach provides a more satisfactory basis for identifying disadvantage than does traditional poverty measurement. Social exclusion measures more explicitly capture the multi-dimensional aspect of social disadvantage than do measures of income poverty.
Until now a lot of studies and researches such as of Atkinson and Marlier in 2010 (Atkinson and Marlier, 2010) or this one of Lessof and Jowell in 2000 (Lessof and Jowell, 2000) have taken place in order to define and measure the concept of social exclusion. The outcomes are categorized in five types of activity which are consumption, savings, production, political engagement and social. From all these indicators the majority of the scientists and researchers focus only on consumption, production, political engagement and social. Analyzing each one of them we can understand what these indicators represented. Firstly, production means the capacity to buy goods and services and production is the participation in economically or socially valued activities, including not just work but also socially useful roles that are performed outside the labor market such as caring (for children or others), education and retirement in old age. Also, political engagement is the involvement in local or national decision making, including not only voting but also membership of campaigning organizations such as tenants associations or trade unions. (Roger Wilkins and Michael Horn, 2009).

1.3 Inequality

Unlike poverty, which concentrates on the situation of those at the bottom of society, inequality shows how resources are distributed across the whole society. This gives a picture of the difference between average income, and what poor and rich people earn, and highlights how well different Member States redistribute or share the income they produce.

Data on inequality is vital when considering poverty because the overall distribution of resources in a country affects directly the extent and depth of poverty. This is particularly important when the debate at EU level is generally focused on relative poverty and where the poverty levels are calculated in relation to average incomes. In most of cases, countries with high levels of inequality are also likely to have high levels of poverty and those with lower levels of inequality are likely to have lower levels of poverty. This is not always verified because it depends also on societies' consideration about what is the most important: reducing inequalities or reducing poverty? Nevertheless it is obvious that the problem of poverty is fundamentally linked to the issue of how resources are distributed and redistributed in a country.

The main question is to detect in which extend inequality is related to poverty? According to Andre Beteille (2003) "*the relationship between poverty and inequality is neither clear not direct. Poverty and inequality are analytically distinct concepts. They vary independently of each other, and it is misleading beyond a point to treat the one as a marker of the other. The study of both poverty and inequality has been closely associated with an interest in economic and social change. But poverty and inequality do not change at the same pace, and they may even change in opposite directions. It is difficult to make any meaningful statement about the relationship between the two without specifying which conception of poverty and which aspect of inequality one has in mind*". Poverty and Inequality, Economic and Political Weekly, Vol - XXXVIII No. 42, October 18, 2003|

Even if it is commonly admitted that there are many types and categories of inequality, the present work is focused on the economic one which has to do more with the other two concepts of poverty and social exclusion. So, economic inequality which also can be described as the gap between rich and poor, income inequality, wealth disparity, wealth and income differences or wealth gap is the state of affairs in which assets, wealth, or income are distributed unequally among individuals in a group, among groups in a population, or among countries. (Rugaber, Christopher S.; Boak, Josh, 2014). The issue of economic inequality can implicate notions of equity, equality of outcome, and equality of opportunity. Opinions differ on the importance of economic inequality and its effects. Some studies have emphasized inequality as a growing health and social problem. Wilkinson and Pickett (2009) argued that income inequality causes health and social problems due to 'status anxiety'. The argument is that income inequality is harmful because it places people in a hierarchy which increases status competition and therefore poor health and other negative outcomes. According to this line of argument, the context (or 'ecology') within which people live (the country or locality, even) will have a psycho-social impact on them, over and above their own individual circumstances (Wilkinson and Pickett, 2009).

While some inequality may promote investment, too much inequality may be destructive. Income inequality can hinder long term growth, but can also help long term growth. Statistical studies comparing inequality to year-over-year economic growth have been inconclusive; however in 2011, researchers from the International Monetary Fund published work which indicated that income equality increased the duration of countries' economic growth spells more than free trade, low government corruption, foreign investment, or low foreign debt (Angel Guria, 2012:pp. 16–34; Vos, Rob 2012:p. 22)

Economic inequality varies between societies, historical periods, economic structures and systems. The term can refer to cross sectional distribution of income or wealth at any particular period or to the lifetime income and wealth over longer periods of time. Consequently, it is crucial to define a pertinent measure of economic inequality.

Inequalities can manifest themselves through disparities in income, wealth, health status and life expectancy, access to jobs, housing, education, healthcare or leisure. Since income inequalities are regarded as a reliable measure of other inequalities, they are frequently used as indicators. Some of the most widely used indicators of income inequalities, except the very simple coefficient of variation and weighted coefficient of variation, are the below:

The **Decile Dispersion Ratio** (D8/D2) is the simplest measurement of inequality. After sorting the population from poorest to richest, this index is based on the percentage of income attributable to each tenth (decile) of the population. The ratio (D8/D2), defined as the percentage of income of the 20% richest population divided by that of the 20% poorest, is obviously a popular indicator, easy to compute but it is a very crude measure of inequality.

Lorenz curve: In economics, the **Lorenz curve** is a graphical representation of the cumulative distribution function of the empirical probability distribution of wealth or income, and was developed by Max O. Lorenz in 1905 for representing inequality of the wealth distribution.

The curve is a graph showing the proportion of overall income or wealth assumed by the bottom *x*% of the people, although this is not rigorously true for a finite population (see below). It is often used to represent income distribution, where it shows for the bottom *x*% of households, what percentage (*y*%) of the total income they have. The percentage of households is plotted on the *x*-axis, the percentage of income on the *y*-axis. It can also be used to show distribution of assets. In such use, many economists consider it as a measure of social inequality. This approach is widely used as for example in describing inequality among the size of individuals in ecology and in studies of biodiversity, where the cumulative proportion of species is plotted against the cumulative proportion of individuals. It is also useful in business modeling: e.g., in consumer finance, to measure the actual percentage *y*% of delinquencies attributable to the *x*% of people with worst risk scores (Frank A. Cowell, 2009).

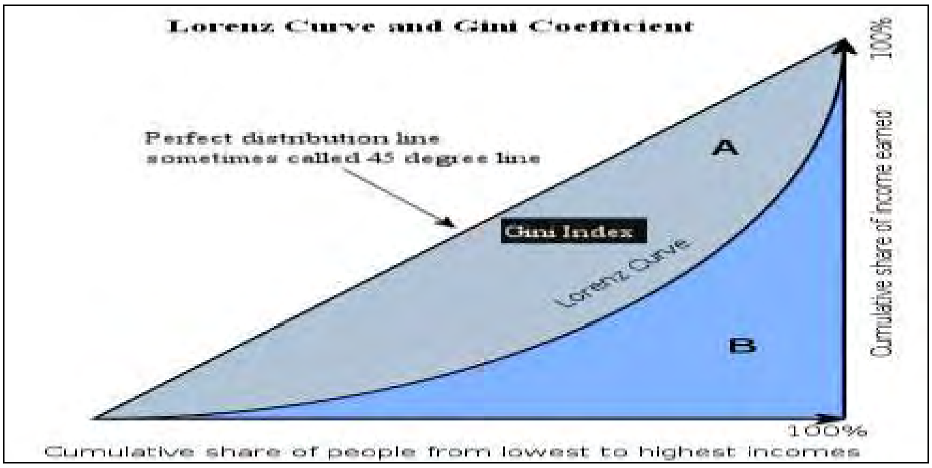
The Gini coefficient: This coefficient (also known as the **Gini index** or **Gini ratio**) is a measure of statistical dispersion intended to represent the income distribution of a nation's residents, and is the most commonly used measure of inequality. It was developed by the Italian statistician and sociologist Corrado Gini and published in his 1912 paper "Variability and Mutability". It is calculated as follows:

$$G = \frac{\frac{1}{n^2}\sum_{i=1,j=1}^{n} | x_i - x_j |}{2\mu}$$

The Gini coefficient measures the inequality among values of a frequency distribution (for example, levels of income). A Gini coefficient of zero expresses perfect equality, where all values are the same (for example, where everyone has the same income). A Gini coefficient of one (or 100%) expresses maximal inequality among values (for example, where only one person has all the income or consumption, and all others have none). However, a greater value than one may theoretically occur if some persons have a negative contribution to the total (such as the negative wealth of people with debts). For larger groups, values close to or above 1 are very unlikely in practice. Normally the mean (or total) is assumed positive, which rules out a Gini coefficient less than zero (Lorenzo Giovanni Bellu, 2006)

Moreover, the Gini coefficient is usually defined mathematically based on the Lorenz curve, which plots the proportion of the total income of the population (y axis) that is cumulatively earned by the bottom x% of the population. The line at 45 degrees thus represents perfect equality of incomes. The Gini coefficient can then be thought of as the ratio of the area that lies between the line of equality and the Lorenz curve (marked

A in the diagram) over the total area under the line of equality (marked *A* and *B* in the diagram); i.e., G = *A* / (*A* + *B*).



An alternative approach would be to consider the Gini coefficient as half of the relative mean difference which is a mathematical equivalence. The mean difference is the average absolute difference between two items selected randomly from a population, and the relative mean difference is the mean difference divided by the average, to normalize for scale (Julie A. Litchfield, 1999)

<u>Atkinson Index:</u> This index (also known as the **Atkinson measure** or **Atkinson inequality measure**) is a measure of income inequality developed by British economist Anthony Barnes Atkinson. (Frank A. Cowell, 2009). Atkinson is calculated as following:

$$A_\varepsilon = 1 - \left[\frac{1}{N} \sum_{i=1}^{N} \left(\frac{y_i}{\bar{y}}\right)^{1-\varepsilon} \right]^{1/(1-\varepsilon)}, \ \varepsilon \neq 1$$

$$A_\varepsilon = 1 - \frac{\prod_{i=1}^{N} y_i^{1/N}}{\bar{y}}, \ \varepsilon = 1$$

The index can be turned into a normative measure by imposing a coefficient ε to weight incomes. Greater weight can be placed on changes in a given portion of the income distribution by choosing appropriately ε, the level of "inequality aversion". The Atkinson index becomes more sensitive to changes at the lower end of the income distribution as ε tends to 1. Conversely, as the level of inequality aversion falls (that is, as ε approaches 0) the Atkinson becomes more sensitive to changes in the upper end of the income distribution.

The Atkinson ε parameter is often called the "inequality aversion parameter", since it quantifies the amount of social utility that is assumed to be gained from complete redistribution of resources. For ε = 0, (no aversion to inequality), it is assumed that no social utility is gained by complete redistribution and the Atkinson index (**Aε**) is zero. For ε **=** **∞** (infinite aversion to inequality), it is assumed that infinite social utility is gained by complete redistribution in which case Aε = 1. The Atkinson index then varies between 0 and 1 and is a measure of the amount of social utility to be gained by complete redistribution of a given income distribution. Based on one's value judgment concerning the social utility of complete redistribution, as embodied in the **ε** parameter, different income distributions may be compared by calculating the Atkinson index at that **ε** value, with lower values of Aε indicating lower social utility to be gained, higher values indicating more. Lower values of **Aε** thus indicate a more equal distribution than higher values, given a particular degree of inequality aversion (Lorenzo Giovanni Bellù and Paolo Liberati, 2006).

The Hoover Index: The Hoover index, also known as the Robin Hood index is a measure of income metrics. It is equal to the portion of the total community income that would have to be redistributed throughout a population (taken from the richer half of the population and given to the poorer half) to achieve perfect income equality. It represents income distribution on a scale ranging from zero (perfect equality) to one (maximum inequality). The Hoover index for N groups of population (for example N percentiles) is calculated as follows:

$$H_v = \frac{1}{2}\sum_{i=1}^{N} \left| \frac{E_i}{E_T} - \frac{P_i}{P_T} \right|$$

Where: E_i = income in the ith group, E_T = Total income of the N groups

A_i = population of the ith group, A_T = Total population of the N groups

It can be graphically represented as the longest vertical distance between the Lorenz curve, or the cumulative portion of the total income held below a certain income percentile, and the 45 degree line representing perfect equality.

The Hoover index is typically used in analyses related to socio-economic class (SES) and health. It is conceptually one of the simplest inequality indices used in econometrics and obviously easier to compute than the by far most widely used index of Gini which is also based on the Lorenz curve (Jorge A. Charles-Coll, 2011:17-28).

The Theil Index: The **Theil index** is a statistic used to measure economic inequality and the lack of racial diversity (Pedro Conceição and Pedro Ferreira, 2000). The basic Theil index T_T is the same as redundancy in information theory which is the maximum possible entropy of the data minus the observed entropy. It is a special case of the generalized entropy index. It can be viewed as a measure of redundancy, lack of diversity, isolation, segregation, inequality, non-randomness, and compressibility. It was proposed by econometrician Henri Theil at the Erasmus University Rotterdam.

The Theil Index is calculated as follows:

$$T_T = T_{\alpha=1} = \frac{1}{N}\sum_{i=1}^{N}\left(\frac{x_i}{\overline{x}} \cdot \ln \frac{x_i}{\overline{x}}\right)$$

where $\overline{x}$is the mean of x.

If everyone has the same income, then T_T gives 0 which, counter-intuitively, is when the population's income has maximum disorder. If one person has all the income, then T_T gives the result lnN, which is maximum order. Dividing T_T by lnN can normalize the equation to range from 0 to 1.

The Theil index measures an entropic "distance" the population is away from the "ideal" egalitarian state of everyone having the same income. The numerical result is in terms of negative entropy so that a higher number indicates more order that is further away from the "ideal" of maximum disorder. Formulating the index to represent negative entropy instead of entropy allows it to be a measure of inequality rather than equality.

Even if a lot of indexes have been proposed in order to appreciate inequalities at national and regional levels, the above mentioned indexes are the most commonly calculated. Some of them present the advantage to be calculated and interpreted very easily, especially the Dispersion Decile Ratio and the two coefficients of variation (CV and wCV) but they produce only a crude evaluation of inequalities while there is no widely recognized threshold in order to define a reasonable level of inequality. Some others require more complex computations - as Gini - but they allow direct comparisons between groups with different population’s size while it is easy to obtain an intuitive interpretation (Duquenne, 2014).

1.4 Conclusion

Through the above analysis, we attempt to clarify the complex relationship between poverty, social exclusion and inequality (income inequality) and how each one affects and are strongly linked to the others.

As poverty is categorized to one of the worst phenomena worldwide, many indicators have been proposed in order to measure it. One of the most commonly retained is the "at risk of poverty rate" as defined by Eurostat. This indicator presents the advantage to allow comparisons between countries and regions. The temporal series produced by Eurostat in collaboration with the National Institutes give important information as regards the main tendencies as regards poverty. This is absolutely necessary in order to find appropriate solutions to decrease the problem such as strengthening education to children and secure the economy.

On the other hand, in the last 20 years social exclusion has become increasingly popular. Despite this wide interest, the concept is still vague and describes a multitude of states, processes and outcomes. First, it covers a remarkably wide range of social and economic problems, and social exclusion is often associated with concepts as poverty, new poverty, inequality, discrimination, underclass, marginality and deprivation. Second, the explanations of why social exclusion comes about vary from those focusing individual behavior (as lack of work-moral or lack of self-efficacy) to those underlining the shortcomings of the welfare system (as too generous welfare benefits or too permissive welfare bureaucracies).

Poverty and social exclusion are one of the main challenges not only in the whole world but also in South Europe, especially after the 2008 financial crisis. The objective of the second chapter is to explain and analyze the situation in this European area, after presenting for each country, a profile and to what extent they were still affected by poverty before the crisis (Dagdeviren H., 2014).

2 The importance of poverty in South Europe before the economic crisis

The fight against poverty and social exclusion has received a new emphasis since the adoption of the 'Lisbon strategy' (European Council, March 2000), which stressed the importance of "modernizing the European social model, investing in people and combating social exclusion" (EC, 2000). During the preparation of Lisbon European Council, Ferrera et al (2000) sustained the need of recasting the European social model, with the inclusion of social solidarity's tradition in the new policies, which favored labor market flexibility and are susceptible to generate new social risks.

The Lisbon European Council also adopted the principle of open co-ordination within the area of social exclusion, following the framework of European employment strategy, which includes: the definition of common objectives and common indicators to monitor progress, National Plans, a Community Action Plan, as well as Joint Reports on social inclusion and regular monitoring and evaluation. Despite the new policy instruments developed and the recognition of being a policy area in its own right, the field of social inclusion is still a problematic one with very different national strategies, insufficient co-ordination between states and poor articulation with other policy objectives. Moreover, the transformation process of European societies and even of European Union frontiers, are likely to add more complexity to the reshaping of the European social model.

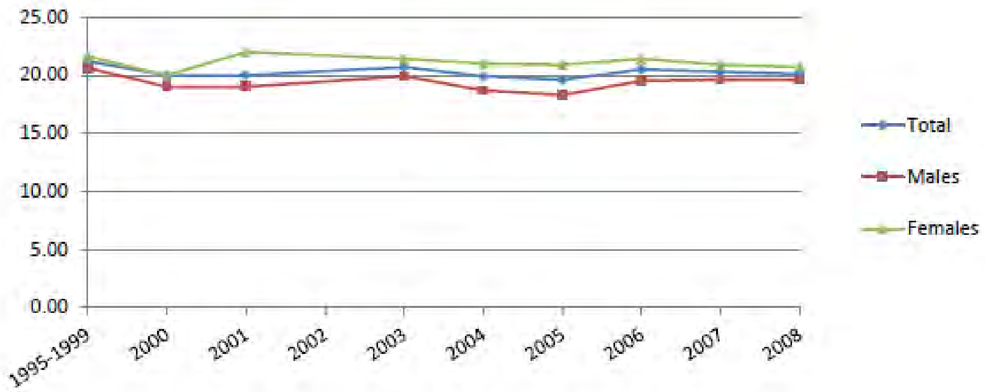
Within European Union, the southern countries of Greece, Italy, Portugal and Spain have been clustered in a welfare model or regime, the 'Southern" or "Mediterranean' regime (Ferrera, 1996; Trifiletti, 1999; Bonoli, 1997; Matsaganis et al, 2003), although some authors are prone to consider European southern countries as part or variant of the 'Continental' regime (Esping-Andersen, 1999;Adao e Silva, 2000; Powell and Barrientos, 2004), frequently characterized by a 'rudimentary' development of its social protection (Gough,1996).

Welfare regimes in European Union have to be considered in the process of their evolution, which certainly is leading to a certain degree of convergence, but is also preserving certain specificities.

2.1 The profile of Greece

Following a decline in the late 1990s, from 2000 until 2008, poverty rates in Greece were stable fluctuating slightly around 20% (Figure 2.1). The relative stability of poverty in Greece during this period is interesting, given that this was a period characterized by rapid economic growth.

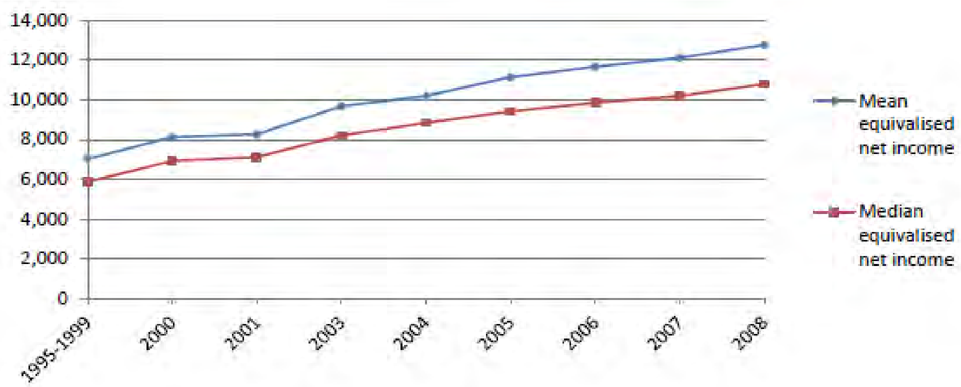
Figure 2.1. People at risk of poverty, Greece (%, 1995-2008)[2]



Source: Eurostat

This means that during these years, the distribution of income was not substantially altered and therefore a roughly stable proportion of the population remained below the 60% median income threshold, despite the fact that both the mean and median income increased substantially (Figure 2.2.). This finding is telling about both the level and persistence of inequality in Greece, but also about the ability of the Greek welfare state to combat poverty.

Figure 2.2. Mean and median net income, Greece (€, 1995-2008)



Source: Eurostat

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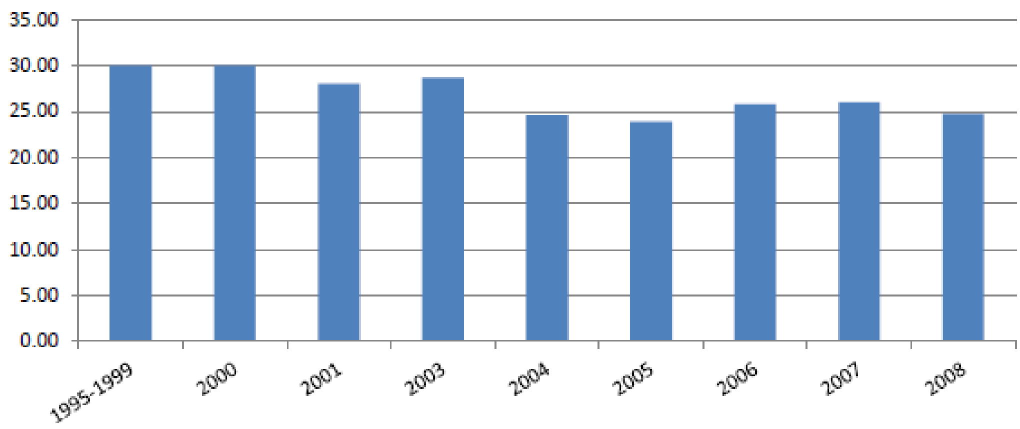
[2] Calculated at 60% of median equivalised income

Another dimension of poverty that is relevant for our purposes is the poverty gap. From Figure 2.3. we observe there was a significant improvement, with the poverty gap declining from 30% on average in the late 1990s, to 23.9% in 2005, although this progress was somewhat reversed in the following years. This means that at least in the early 2000s, while the percentage of poor people remained relatively stable, a number of poor people became less poor, coming closer to the poverty threshold. In 2008, the poverty gap was 24.7%, which means that 50% of poor people had income below the 75.3% of the poverty threshold.

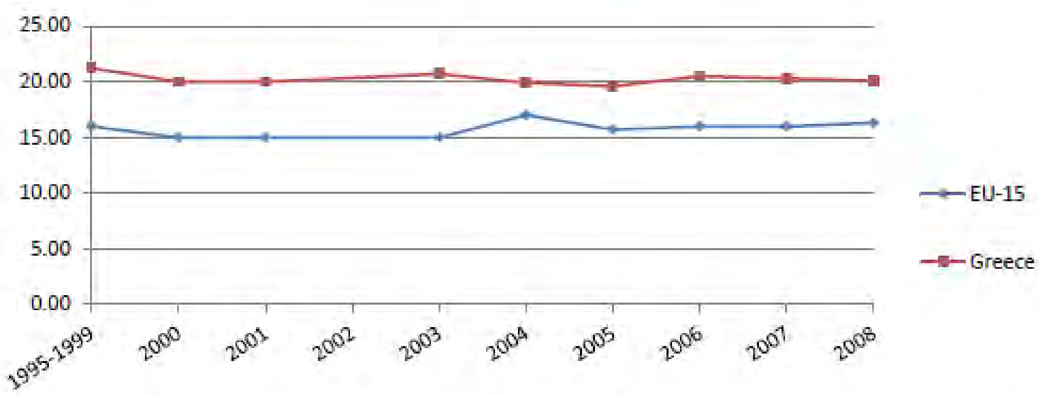
2.3. Poverty gap, Greece (%, 1995-2008)



Source: Eurostat

These figures do not compare favourably to other EU countries. From Figure 7 below, we see that poverty in Greece during the period under examination was consistently and substantially above the EU-15 average (Figure 2.4.).

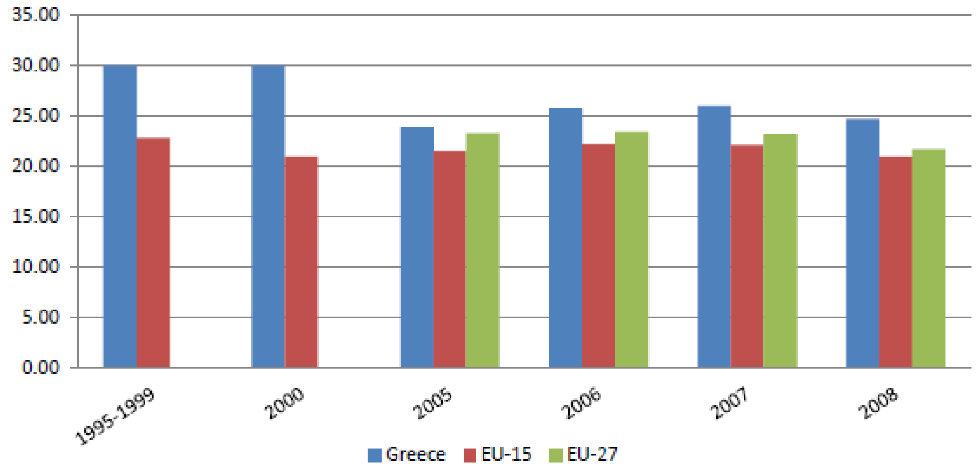
Figure 2.4. Risk of poverty, Greece, EU-15 (%, 1995-2008)



Source: Eurostat

Similarly, Greece's poverty gap for this period was consistently higher than the EU average, although the situation improved from the mid-2000s onwards (Figure 2.5.).

Figure 2.5. Poverty gap, Greece, EU (%, 1995-2008)



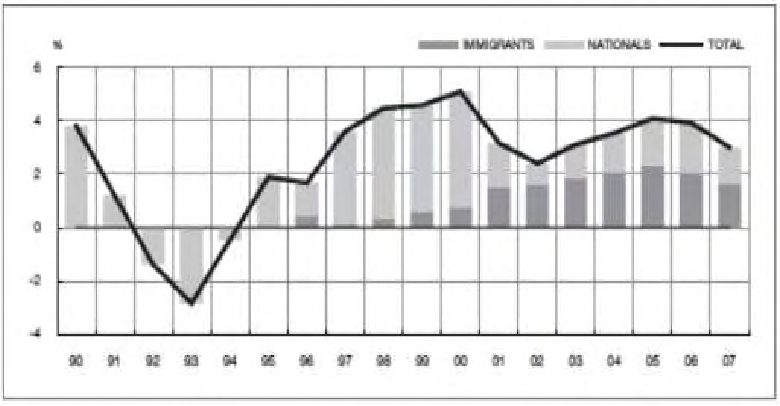
Source: Eurostat

These findings are also verified by recent studies. For example, Dafermos and Papatheodorou (2010), Andriopoulou and Tsakloglou (2010) and Balourdos and Naoumis (2010), focusing on the 1994-2007 period (or selected sub-periods, or years), have shown that there is a clear stratification of performance in terms of poverty rates, with Mediterranean countries, which share the so-called South-European Social Model, underperforming consistently countries from Northern Europe, which employ the social-democratic or corporatist models.8 Thus countries such as the Netherlands, Luxembourg, Austria, Finland, Denmark and Germany, typically report poverty rates that range between 10-13%. In contrast, Greece, Spain, Portugal and Italy, along with Ireland, have the highest rates, with poverty typically ranging between 18-20%. Similarly, poverty gap indices for the social–democratic and corporatist groups ranges for most countries between approximately 15% and 18% (although there are significant variations between years) while south-European countries typically report poverty gap indices above 23%.

2.2 The profile of Spain

In the Spanish case, full advantage of the lower interest rates on government bonds was taken to help resolve regional conflicts, the intensity of which was evident in separatist movements in the Catalan and Basque regions. These also happened to have the major industries that were hurt most when their real exchange rate with the rest of the euro-zone economy appreciated. As the economies expanded throughout Spain, so did employment, but economists noted with increasing alarm that productivity did not rise. Figure 2.6. shows that increased immigration, especially from Latin America, provided much of the additional labor but native Spaniards entered the formal labor force as well, increasing their participation rate in the labor force from a European wide low level of 48.0% in 1989 to 65.6% in 2007, almost exactly the average level for all 12 countries then in the euro. (Eurostat) In this sense only, convergence to the levels of more advanced trading partners did occur.

Figure 2.6. Sources of employment growth in Spain

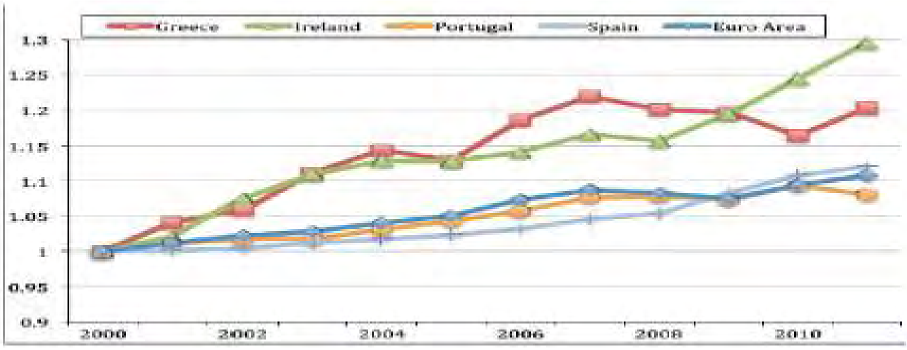


Source: Juan F. Jimeno, ed., Spain and the euro: the first ten years, Bank of Spain, 2009

But employment grew mainly in construction and services, not in manufacturing or in more high tech sectors, so that total factor productivity remained stagnant over the period 1999 - 2007. Meanwhile, total factor productivity in the euro-zone grew at an average annual rate of 0.5% and in the US at 0.9% (Eurostat). The focus of growth in labor 12force participation was on the non-tradable sectors of the economy, diverting investment from areas where advanced technology was needed to maintain Spanish competitiveness in international trade.

Figure 2.7.above show how badly Spain lagged in labor productivity even in comparison to the other periphery countries, and to the average level l for the euro zone as a whole. The slight improvement since 2008 is at the expense of stunning increases in unemployment.

Figure 2.7. SWEP Productivity Levels Compared (2000- 2011)

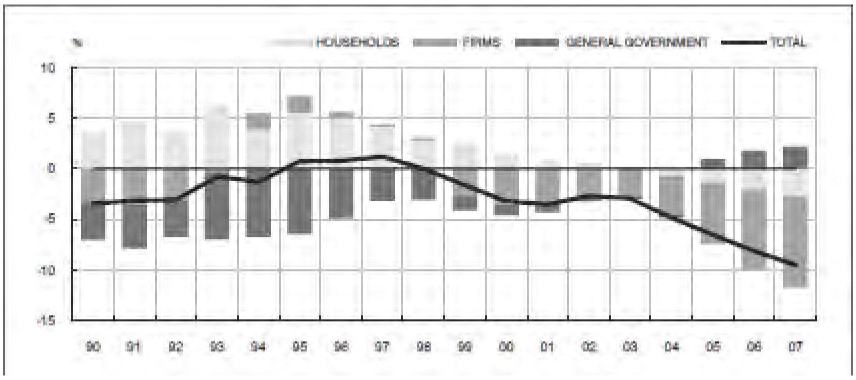


Source: OECD (2011)

Meanwhile, the generally higher rate of inflation in Spain than in the rest of the euro zone or the rest of the European Union meant that its real exchange rate kept appreciating relative to the other trading partners in Europe. The higher real exchange rate, combined with lagging total factor productivity in the Spanish economy put even more pressure on the current account. Capital imports generally kept the overall balance of payments equilibrated without loss of foreign reserves, but these came at the price of increasing indebtedness, first for the government, then for Spanish corporations, and finally for Spanish Households as the housing bubble came to the Spanish countryside.

Figure 2.8 shows the changing pattern of indebtedness by sector as Spain financed its extensive growth after the adoption of the euro. From household net savings covering the debt so both firms and the government before adoption of the Euro in 1999, Financing switched to firms drawing upon foreign savings.

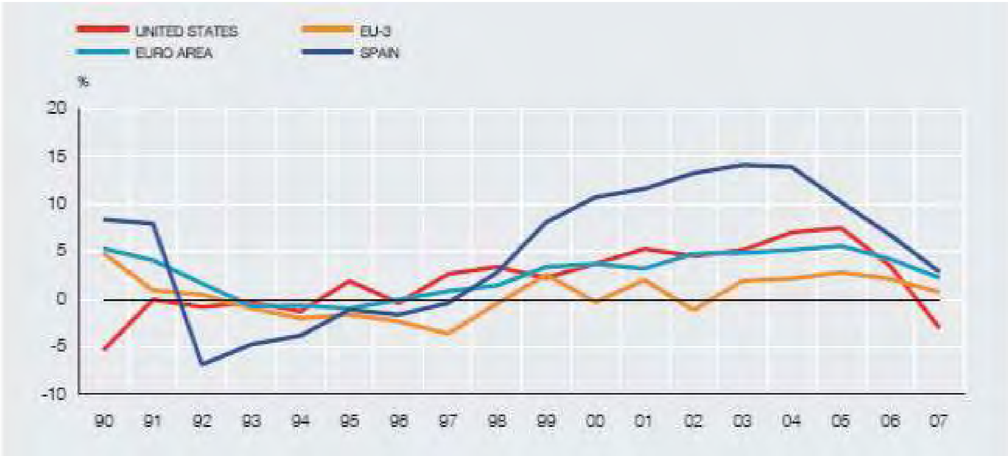
Figure 2.8. Sources of financing by sector in Spain.



Source: Juan F. Jimeno, ed., Spain and the euro: the first ten years, Bank of Spain, 2009

The attractiveness of low interest rates on debt that led Spanish firms to see increasing levels of debt eventually drew in households as well, who borrowed heavily to invest in housing, starting in 2005, as shown in Figure 2.9.

Figure 2.9. The housing bubble in Spain compared to others



Source: Ministerio de Vivienda and Banco de Espana

The influx of foreign labor combined with foreign capital were signs that the Balassa Samuels on effect was showing up as the Spanish economy continued to become more open while maintaining a fixed exchange rate with its major trading partners as part of its commitment to the common currency. After a brief pause in Spain's growing openness when making the adjustments needed to be among the first members of the common currency in 2000,openness continued to increase right through the crisis until the end of 2011(Figure 2.10).

Figure 2.10 Openness of the Spanish Economy, 1960-2008

Source: OECD (2010)

The mounting pressures of the housing bubble ,largely financed by the 45 regional savings and loan banks, (*Cajas de Ahorros)* and mostly in the coastal regions to provide second, vacation homes for both Spanish and foreign households, mimicked in many ways the housing bubble in the US that led to the savings and loan crisis of the 1980s. Much as the Resolution Trust Corporation dealt with the insolvent savings and loan institutions in the US, however, so the Spanish authorities established the state backed Fund for Ordered 15 Bank Restructuring to oversee the winding up of the undercapitalized an over committed local cajas. By September 2011, the original 45 regional cajas had been reduced to14and the largest ,the *Caja de Ahorros del Mediterraneo,* was taken over by the Bank of Spain after injecting €5.8bn from the Fund for Ordered Bank Restructuring (FOBR). While repeated stress tests indicate continued problems of bad loans on the balance sheets of the re organized and re capitalized savings banks, the steps taken by the Spanish authorities to date are working as well as could be expected. It did take the Resolution Trust Corporation three full years before it wound up formal operations, and some of the unwinding positions took several more years to develop.

2.3 The profile of Italy

The median income level in Italy is below EU average. It increased by around 7% between 1994 and 1997. If income inequality is around EU average, poverty risk is clearly above with at-risk-of poverty rate about 19%, especially when considering the comparatively higher intensity and inequality among those at risk of poverty (at-risk-of poverty gap of 31%).

Concerning the age profile, the elderly (aged 65 and over) have a lower at-risk-of poverty rate (15%) than all other age groups in Italy. One on two long-term unemployed falls below the at-risk-of poverty threshold and this is one of the highest values across the EU. Similarly, marginal household work intensity is associated with a very high at-risk-of poverty rate.

In terms of any-time at-risk-of poverty rate, Italy is in better position than Portugal, Greece, Spain but also the UK. The persistent at-risk-of poverty rate (13%) is slightly higher than the EU average. Like in Greece, the share of people who exits the state of poverty risk after one year is high and a comparable number fall back into this state afterwards.

An important characteristic of Italy is the fact that family size seems to have a close relation with the persistent risk of poverty: large families (couples with three or more children) face a risk of persistent poverty which at least is more than three times higher than for families with one or two children.

Although the overall non-monetary deprivation rate corresponds to EU average in Italy, a more detailed picture emerges when looking at individual deprivation dimensions: proportionally more Italians have difficulties with providing for their basic needs, but only half as compared to the EU average report housing deterioration.

Deprivation statistics over time match EU averages: the any-time deprivation rate is 25%, while 12% experienced non-monetary deprivation for at least three out of four years Combined poverty risk and deprivation indices are not different from the EU averages in Italy: 6% of the population was affected by income poverty risk and non-monetary deprivation at the same time for at least three years between 1994 and 1997 while 21% experienced either poverty risk or deprivation persistently for the same period. In accordance with the above findings, the proportion of those facing poverty risk and having difficulties with providing basic needs is significantly higher for most of the items. Similarly to other Southern European countries, the reported health situation of those at risk of poverty is better than on EU average: only 14% reported serious chronic health problems, which is the lowest value across EU. The share of recipients of social transfers in the population in Italy is considerably lower than in most EU countries, despite an increase between 1994 and 1997 (entirely due to pensions). Despite the low percentage of beneficiaries, the share of transfers is about EU average. Moreover, the weight of transfers in the recipients' incomes is the highest across EU, indicating that a percentage of transfer's recipients rely to a greater extent on social transfers than in the other European countries – a situation quite similar to that in Greece and Spain. However, transfers seem to be biased to middle and higher income groups. As much as 84% of social transfers are made up by pensions, the second percentage after Greece. This result confirms that these two countries are facing an important aging situation. Pensions constitute more than 55% of incomes for the elderly whatever the income classes but pensions are most important for the middle-income groups. As in the other three Southern European countries, sickness and invalidity payments are the most important component of non-pension transfers (51%). Non-pension transfers are regressively distributed in Italy, i.e. slightly targeted to richer income groups, together with Portugal the only country with this feature. Similarly, less than half of non-pension transfers reach the pre-transfer poor (the lowest value in EU), and this percentage is particularly low for family and housing benefits. As a consequence, Italy, together with Greece, displays the lowest reduction of poverty risk due to non-pension transfers (-10%). However, the reduction of long-term poverty risk through social transfers is higher and around EU average.

2.4 The profile of Portugal

Even if between 1994 and 1997, the household incomes grew faster than EU average, Portugal still has the lowest level of median income in EU: about 40% lower than the EU average and almost three times lower than the level of the Luxembourg's median income. Portugal displays the highest values for income inequality and poverty risk (rate of 24%), while the intensity of poverty risk is around the EU average (at-risk-of poverty gap of 24%).

Comparatively to the entire population, average incomes are clearly higher for single adult men (134%) than for single elderly women (59%). At the same time, Portugal is the only EU country where the income level of couples with two children clearly exceeds the average level of the entire population.

As in other Mediterranean countries, especially Greece, education and social class are important criteria for both relative income levels and at-risk-of poverty levels. Having high education or being manager or proprietor more than doubles the average income of a person comparatively to the whole population. It is the highest ratio recorded across EU and consequently reduces at-risk-of poverty rates to marginal levels. On the other hand, at-risk-of poverty rates are higher than in other EU countries for farmers and smallholders (50%), self-employed with no employees (29%), inactive persons (32%) but also the elderly (37%).

Besides Greece, Portugal has the highest proportion affected by poverty risk during the examined period (36%). Almost around 20% of Portuguese faced poverty risk for at least three years during 1994-1997 which is the highest figure across the EU. This is undoubtedly related to the lowest exit rates across EU countries. Among those facing a persistent risk of poverty, persons with lower educational attainment are especially at risk. Despite a slight decrease since 1994, Portugal displays the highest overall non-monetary deprivation rate in the EU in 1997: 34% of the Portuguese population was deprived in terms of non-monetary dimensions.

Among others, deprivation in dimensions related to housing deterioration and environmental problems around the dwelling is especially high in Portugal: 42% reported housing deterioration (leaky roof, damp and rot) which is more than three times higher than EU-average. Like in Greece, deprivation in Portugal cross-cuts different sub-populations; there are no specific groups that face extremely high deprivation risks compared to the entire population. Reflecting the very high cross-sectional deprivation rates, almost every second

Portuguese experienced deprivation for at least one year during the four-year period, and approximately one- third of the population was deprived persistently. Portugal is the only country where the proportion of the population facing income poverty risk being deprived at the same time for at least three years exceeds 10%. Also, a very high proportion (38%) experienced poverty risk side by side with non-monetary deprivation at least for one year between 1994 and 1997. Deprivation rates among those living in a state of poverty risk are for almost every item the highest in the EU. In addition, Portugal deviates from the other Southern European countries with regard to the reported health situation of that facing poverty risk: the corresponding values are above average of EU-countries.

Portugal combines one of the lowest shares of social transfers in income with one of the highest shares of transfer recipients in EU. The percentage of beneficiaries of both pensions and non-pension transfers increased between 1994 and 1997 more than in most other EU countries. The contribution of social transfers in the beneficiaries' incomes is the lowest observed among EU countries, a feature which contrasts with the other three Southern European countries which combine low overall transfer shares with high shares in recipients' incomes.

Transfers in Portugal are slightly biased in favor of richer income groups, and during the period 1994 – 1997, low and middle income groups lost transfer shares at the benefit of the richest income groups. Nevertheless, as in the other three Southern European countries, the main part of transfers concerns pensions (two thirds). Those are distributed quite regressively in Portugal: 9% go to the 20% poorest population, while 43% go to the 20% richest. To a lesser extent comparatively to the other three Southern European countries, sickness and invalidity payments remain the most important components of non-pension transfers (35%). Unemployment payments and family allowances are equally important (around 30% each one), even if the latter have a very low contribution in the income of recipients (4%, the lowest value across EU).

On the other hand, housing allowances in Portugal have a higher weight in the recipients' incomes than elsewhere (22%). Non-pension transfers are regressively distributed in Portugal, i.e. slightly targeted to richer income groups, together with Italy the only country with this feature. We will not miss to observe that two other categories of transfer are also very important in Portugal: education allowances and social assistance payments and this contribute to reduce the pre-transfer poverty risk (below 15%).

Finally as in Greece and Italy but in a lower extend, poverty risk reduction through non-pension transfers is very low in Portugal (25%). An exception is poverty risk reduction among unemployed though unemployment benefits which is EU average. On the other hand, long-term poverty risk is less reduced through social transfers than in any other EU country.

2.5 Conclusion

The threats for the future of the southern Europe system were clearly exposed almost twenty years ago. Martin Rhodes put it that way already in 1996:

"*The coming years will be critical ones for the southern European countries, as they adjust their economies, administrative cultures and welfare states to pressure from beyond their borders -including the consolidation of the single market, EMU convergence and greater competition in more open world markets. To some extent these pressures will lead to greater conformity, in terms of budgetary disciplines, the rationalization of bureaucracies, the reduction of clientelizm and attacks of anomalies in taxation and benefits ... None of this means that the basic features of the 'southern syndrome' will disappear overnight* " (Rhodes, 1996, p. 19).

Taking into account the current economic indicators, Greece, Italy, Spain and Portugal, it seems that the threat is just actualizing, turning into reality. But such a shortcut would minimize the enormous changes that occurred in the meanwhile, between the end of the 1990s and the financial crisis of 2008. Taking these changes into account, we could consider more the half-full than the half-empty glass and insist on positive aspects like the adaptability and the capacity to recalibrate the southern welfare systems.

Moreover, another important element that it will be discussed in the following chapter is the overall evaluation of the social impact of the crisis in Spain, Portugal, Italy and Greece. Significant and helpful for this issue is the study of Matsaganis and Leventis (Matsaganis, M. & Leventi, Ch. (2014), "The distributional impact of austerity and recession in Southern Europe, South European Society & Politics: special issue, edited by M. Petmesidou & A. Guilléas) they trace the changing distribution of incomes under the impact of the crisis, and assess how (and to what extent) inequality and poverty have risen as a result of two interrelated factors: the austerity measures taken to reduce fiscal deficits and the wider recession causing business closures and job losses.

3 Poverty and Income Inequality in the "Southern Europe"

A review of literature on the relationship between the economic cycle and inequality is not conclusive (Ayala 2013). A strong decrease in employment usually affects households in the lower income distribution segment more than households in the mid and high segments. There are still few studies that have thoroughly analyzed the effects of this new Great Recession (Jenkins *et al* 2012; Callan *et al*. 2011; Avram *et al*. 2012), bearing in mind that the duration of the crisis is an important factor as regards the severest effects that it can generated. Considering that the crisis is quite recent, it is still too early to dispose data reflecting these effects.

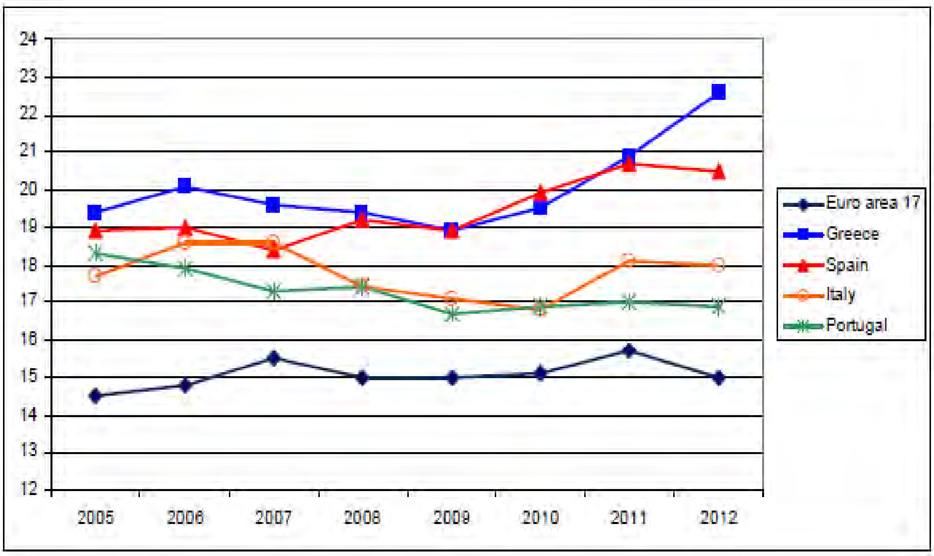
3.1 First tendencies of the crisis' effects

The intensity and the profiles of the employment crisis in these countries have hardly affected aggregate indicators of poverty risk and income inequality. These countries used to share high levels of poverty risk and they still share them, as well as they share mid-level of income inequality.

Moreover, the recent evolution of these indicators differs by slight but relevant degrees. Spain and Greece have pursued pathways in which poverty and inequality follow opposite directions to those of the economic cycle: they have decreased, although very slightly, during growth and increased during the crisis. It is obvious that the effect of the socio-economic crisis is really deeper in Greece, with a very positive trend until the end of the examined period as regards the risk of poverty (figure 3.1). Consequently it is possible to observe in 2012, the emergence of a clear gap between Greece and Spain: the risk of poverty rate is now more than 2 points higher in Greece while these two countries presented the same level in 2009. For this reason, we often speak about human crisis in case of Greece.

Italy and Portugal pursue pathways that are less parallel to the economic cycle: Portugal shows a decreasing trend in poverty and inequality from 2005 to 2010, although this has shifted in 2011; Italy, on the other hand, shows a similar trend to that of Portugal in terms of Gini coefficient (figure 3.2) and more parallel to the economic cycle regarding poverty risk.

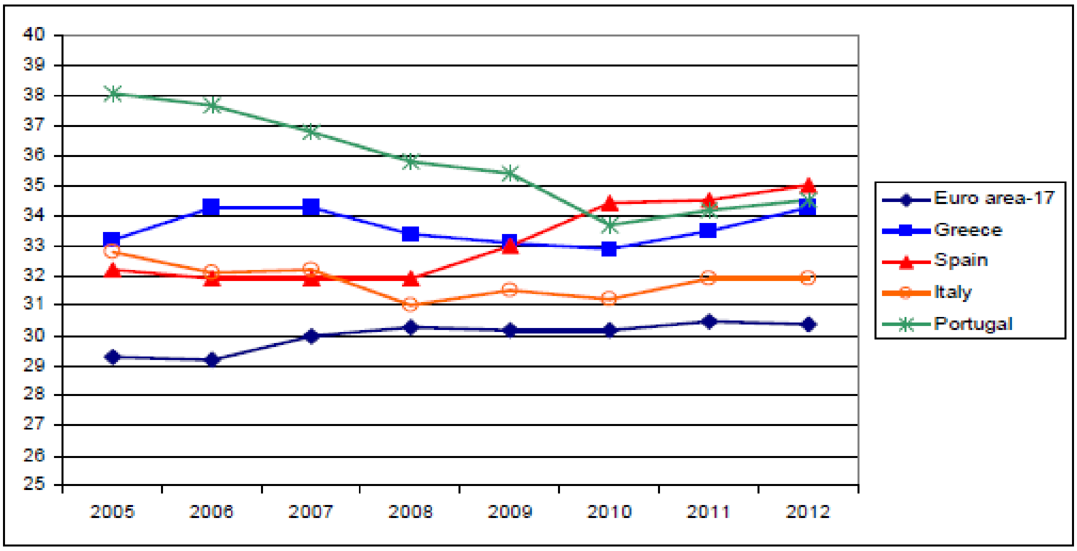
Figure 3.1: Risk of poverty rates, 2005-2012 (Total population; 60% of median equivalized income



Source: EUROSTAT , EU-SILC

As in the case of the poverty indicator, the Gini coefficient illustrates that these countries have become slightly more similar in terms of income distribution. This is the result, above all, of the different evolution of that coefficient in Portugal and Spain, which were the countries, respectively, with the highest and lowest levels of income inequality. In Spain this inequality had increased since 2009 and in Portugal it had decreased until 2010 to start a slight rise in the two most recent years.

Figure 3.2: Gini coefficient, 2005-2012 (scale from 0 to 100)

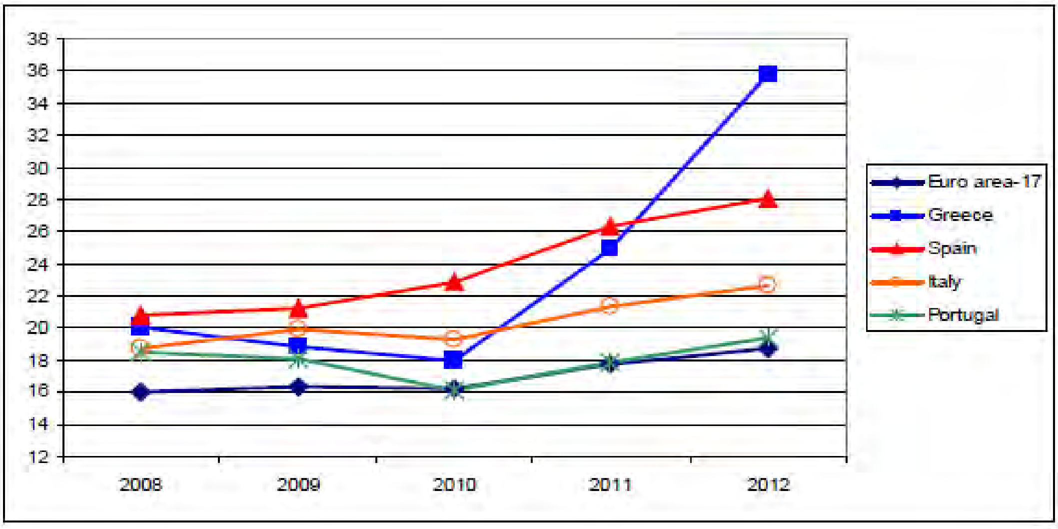


Source: EUROSTAT , EU-SILC

The poverty risks with a fixed threshold at the beginning of the crisis provides other useful information as it allows us to identify the potential change of poverty risk if the whole income distribution has been not changed. In other terms, it gives a more precision evaluation of the poverty risk's evolution in itself. It confirms the current increases in the poverty risk in the four countries if the threshold were maintained stable at the level of the beginning of the crisis (2008).

During all the period examined, Spain, Italy and Portugal have a quite similar trend, even if the risk of poverty seems to increases quite faster in case of Spain. Greece has a very different trajectory: after an initial period with decreasing trend, it is once again confirmed that the consequences of the crisis are very deep: the rate has increased about 18 points in just two years (2010-2012). In other terms, more than two out of three people in 2012 would be considered poor if the threshold was maintained at 2008 level. In the three other countries, the poverty risk increases are continuous but much less intensively, in such a way that this indicator only increases by 4-6 points with reference to the one based on a mobile threshold.

Figure 3 3: Risk of poverty rate anchored at a fixed moment in time (2008), 2008-2012

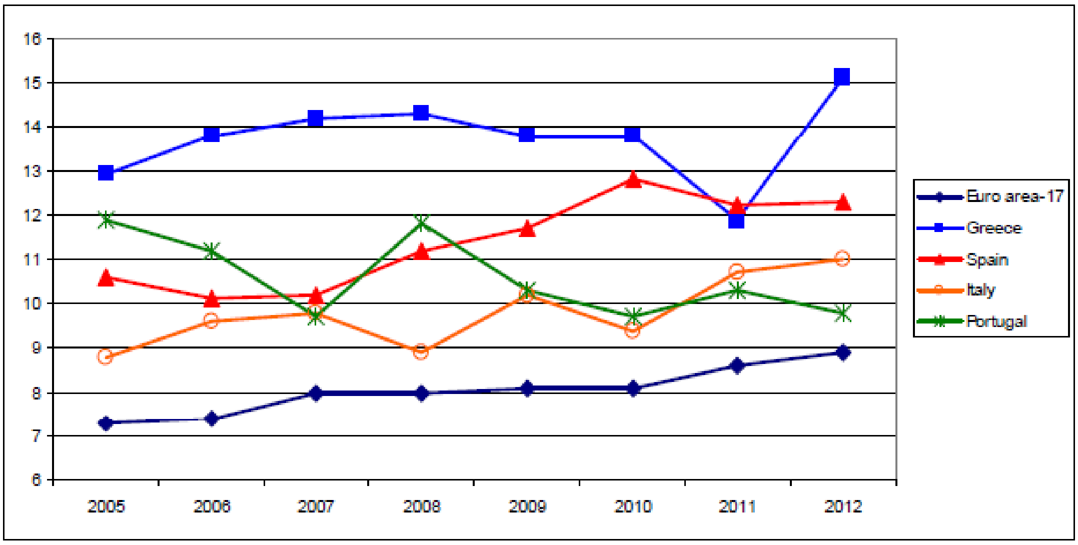


Source: EUROSTAT , EU-SILC

The above analysis shows that in Greece, the income decrease for households belonging to the lowest part of the distribution is being far higher than the one in the other three countries.

Before the crisis, differences in that feature between Italy and the other three countries were much more important than now. Italy showed and still shows a pattern of greater capacity to protect people from the poverty risk, especially the retired and also the employed, as opposed to a much lower capacity to avoid this risk among the unemployed. The other three countries were very similar regarding their respective poverty risks for each of those groups: low among the unemployed and high among the employed and retired. During the crisis, this pattern has not undergone significant modification, but some trends have been identified whereby the poverty risk rates have got closer to the three groups. The most prominent trend in that direction concerned the poverty risk increase of the unemployed in the four countries, at a faster pace in the three countries where it was lower (Greece, Spain and Portugal), as well as the decrease in the poverty risk of the retired, also in all the countries, but especially relevant in Spain.

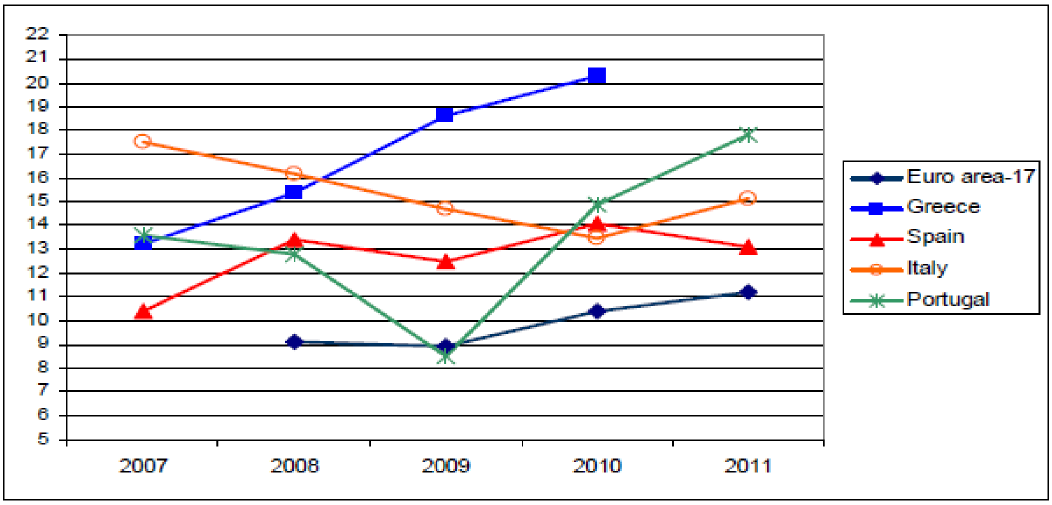
Figure 3.4: Risk of poverty rates by most frequent activity status, 2005-2012 (60% of median equivalized income)



Source: EUROSTAT , EU-SILC

However, when the poverty risk is measured on the basis of the indicators reflecting its most concerning aspects, persistence and material privation, the relative scenario of these countries is very different. Only households with children are observed to focus on situations in which these poverty risks would have potentially more negative consequences due to the presence of dependent minors (Figures 3.5. and 3.6.). In Spain, regardless of the employment crisis intensity and the relevant deterioration of low incomes, its low levels of persistent poverty and severe material privation have hardly worsened. In Greece, however, persistent poverty increased constantly since 2007 until it affected one out of five households with children in 2011. During this time, there was also an important increase of severe material privation in this country. In Portugal, persistent poverty also rocketed in 2010 and 2011, although it was able to maintain its normally high level of material privation. In Italy, the trend to decrease its high persistent poverty was halted and severe material privation rocketed since 2011 until it affected more than one out of ten households with children.

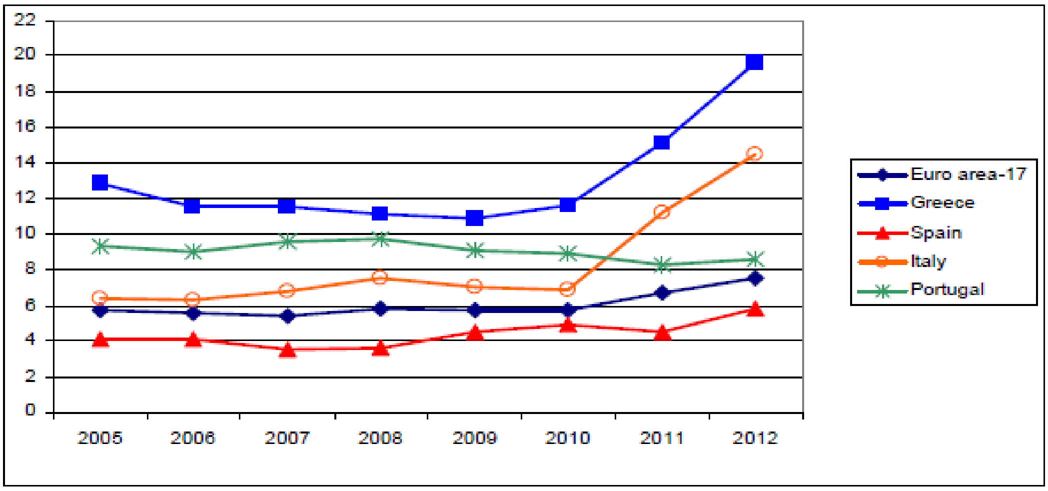
Figure 3.5: At persistent risk of poverty* (households with dependent children), 2005-2011



Source: EUROSTAT, EU-SILC

Note (*) At-risk-of-poverty for the current year and at least two out of the preceding three years.)

Figure 3.6: Severe material deprivation rate* (households with dependent children), 2005-2012



Source: EUROSTAT, EU-SILC

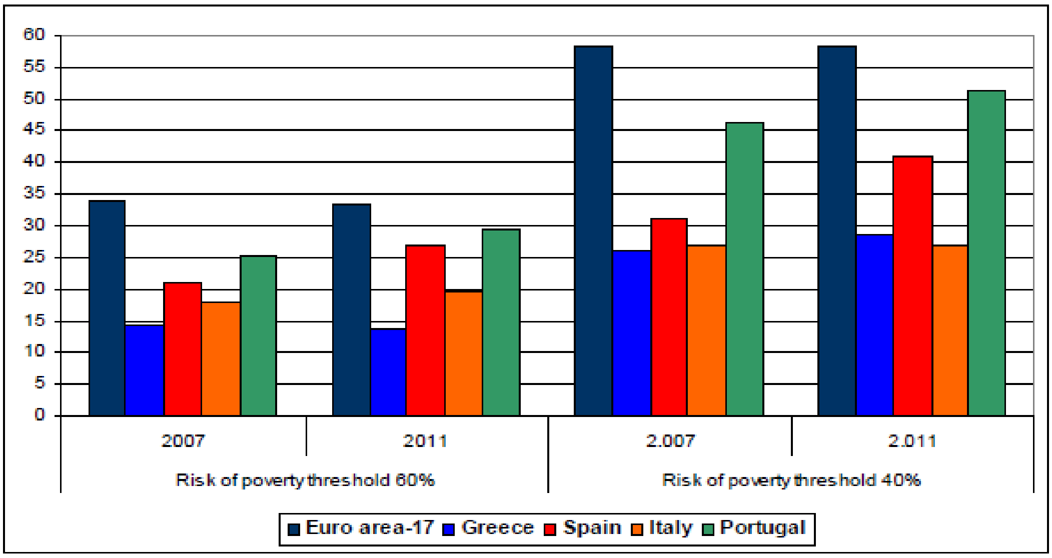
Note (*) Inability to pay for at least four of nine deprivation items.)

3.2 Social transfers and their impact on poverty reduction

The weak poverty reduction effect produced by social transfers was one of the typical characteristics of the social protection system in these countries, particularly when pensions are excluded, taking into account only social transfers, targeting possibly active population and households. This poverty risk protection effect is one of the basic functions of the social protection system. The risks prompted by employment crisis periods are one of the main proofs of its efficacy. In this sense, the crisis has shown that the ability to reduce the poverty risks by means of social transfers, starting from low comparative levels, became much more uneven in these countries, even more uneven in terms of the most severe poverty risk (Figure 7).

This reduction effect was very low in Greece and Italy and is still very similar during the crisis: it did not reach the 20% reduction for a 60% poverty threshold, and slightly surpassed the 25% of the most severe poverty (at 40% threshold). In 2011 the reduction rates of both poverty levels have hardly varied in either country. However, Portugal and Spain, with a slight risk reduction before the crisis, faced a greater reduction in 2011, especially in the case of severe poverty risk (40% threshold). This risk was reduced by more than 40% in Spain and 50% in Portugal as a consequence of social transfers.

Figure 3.7: Percentage reduction of poverty rates before and after social transfers (pensions excluded), 2007 and 2011



Source: EUROSTAT, EU-SILC

It is interesting to note that, despite slight variations in Gini coefficient relevant changes in the different areas of income distribution are observed (Figure 3.7.). Spain was the Southern country with the least unequal income distribution before the crisis. In 2007, Spain was the country where people at the top of the income scale (fifth quintile) received a lower income fraction and people in the middle area (third quintile) received a greater fraction; those in the lower area (first quintile) received a part equivalent to that in the other three countries. With this situation before the crisis, Spain is the only country showing a significant increase in income inequality during the crisis.

Furthermore, Spain has a clear pattern of greater inequality between the top and the bottom in the distribution, as the relative income participation in the lowest area has decreased by almost two points (first quintile), whereas the middle area (third quintile) preserved the same income participation and the lowest had a 1.6 point increase between 2008 and 2011.

Such an extreme evolution of income inequality in Spain is partly due to the fact that Spain, unlike what happened in terms of poverty risk, delights the lowest redistributive effect of the total transfers and taxes (pensions excluded). This is the case, at least, in terms of income inequalities between the first and fifth quintile: in fact it is one of the lowest in the EU. However, the Spanish redistributive effect is not so different from what is observed in the other countries so such an uneven result regarding the recent evolution of income inequality is quite surprising. It is very possible that such a differential characteristic of Spain is due to the fact that the crisis' intensity has further worsened the position of those who had the lowest primary incomes, or in other words, those who held and have lost low salary jobs.

In Portugal, the income distribution has followed the opposite direction: the highest income quintile lost almost 3 points in 2010, and meanwhile the people in the middle and low positions improved their participation by approximately 1 point. Although, the latest annual data are available, corresponding to 2011, points towards a change of behavior. This change affects middle and high incomes, and so far this does not seem to be in detriment of a significant income reduction.

In Greece and Italy, the participation of each income level has been stable. In both countries, the lowest incomes have lost a maximum of one point, a loss only observed between 2010 and 2011.

In short, regardless of the slight variation in the synthetic poverty and income inequality indicators during the crisis, there have been significant changes in both dimensions:

- ***In terms of poverty risk***, some shifts have followed a similar direction in the four countries: on the one hand, poverty increases did not represent an important fall of poverty thresholds, which have only started to drop gradually during the second or third year of the crisis; on the other hand, until well into the crisis (2010), the four countries maintained their trends from the growth stage, towards slight poverty increases of the employed, sharp poverty falls of the retired and moderate poverty increases of the unemployed.

Other changes in poverty risk have followed different paths. Firstly, the increase in poverty risk comes parallel to the intensity of the employment crisis, thus, it is significantly higher in Greece and Spain: the poverty rate evolution, both at variable and fixed thresholds, and the poverty threshold illustrate this trend. Secondly, and very significant, is the uneven capacity of each country to reduce poverty by means of social transfers, clearly higher in Spain and Portugal. This capacity had not been worsened by the crisis and it should be mainly attributed to their unemployment protection systems. The third aspect, which concerns Spain, is the fact that this country has prevented the crisis from increasing the levels of persistent poverty and severe material privation, two of the most harmful aspects in terms of poverty risk.

- ***In terms of income inequality***, there is no doubt that Greece and Italy have enjoyed the most stable evolution within the median inequality levels. Spain and Portugal started from very differing situations, a high level in Portugal and a mid-low level in Spain, and have also followed different trends: Spain towards a greater distribution polarization, Portugal towards a relative improvement of middle and low incomes. This evolution is mainly attributed to the behavior of primary incomes, as the four countries share low redistributive effects.

3.3 Conclusion

From the above analysis, it appears clearly that the economic crisis in the four Southern European countries has an important "human" dimension, even if this aspect is not so much taken into consideration by European authorities' policies. At the same time, the intensity of this specific dimension appears to largely vary between the 4 countries with Greece obviously in the worst position. Even if the data concerning the most recent 2012-2014 are not available, it is now well-known that the trends observed in 2011-2012 have not changed and may be the human effects are more negative than they were in 2012.

Another aspect very important is related to the efficiency of social policies (transfers) to reduce poverty risks. As mentioned above, the results are quite different from one country to the other. The impact of social transfers is quite limited in case of Greece as in Italy but in a less extend. At the contrary, Portugal reduces sensibly the poverty risks through social transfers and this in a proportion that is not so far from the EU average.

4 Social exclusion in South European countries during the economic crisis

Social exclusion is a much broader concept than just income poverty, in so far as there may be many other factors that leave groups of society isolated. These include such wide-ranging factors as unemployment, access to education, childcare and healthcare facilities, living conditions, as well as social participation. The persistence of a large number of people excluded from work represents a key challenge for the objective of social cohesion. The longer a period of unemployment for an individual, the more entrenched this person generally becomes in social exclusion through their inability to afford material goods, services and housing, while their social contacts are often reduced (in part due to a lack of money for going out socially, or due to the stigma of being unemployed). This may lead to a lack of confidence and a reinforced sense of isolation (Amartya Sen, 2000)

The objective of the present chapter is to present and analyze how social exclusion can be evaluated through various indicators; especially those that are in relation with the access to labor market. The exclusion from labor market is largely linked with education and training and this at two different levels. Firstly, education and training can directly provide the skills, knowledge and qualifications that are important in social and labor market participation. Secondly, the educational resources available in Member States and the length of compulsory education are likely to have some effect on outcomes regarding educational attainment. Ensuring that higher education is open to all, regardless of their social or economic background, forms the basis of the social dimension of the EU's Bologna process and has most recently be reinforced by the Council conclusions of 12 May 2009, regarding the strategic framework for EU co-operation on education and training (towards 2020).

Nevertheless, social exclusion can result from other situations as poor health, where individuals who have physical or mental health problems cannot fully participate in society. At the same time, exclusion due to other reason such as unemployment may in some cases reinforce health problems. Poor health from birth through working life to old age, and the way in which communities accept and help individuals overcome obstacles can have important impacts on social inclusion. In particular, the ability of society to provide consultation, treatment and care to those with health problems is crucial (Ruth Levitas, Christina Pantazis, Eldin Fahmy, David Gordon, Eva Lloyd and Demi Patsios, 2007).

Homelessness and housing deprivation are arguably the most extreme examples of poverty and social exclusion in European society. Poor housing conditions, a lack of basic facilities, overcrowding, subjection to noise, pollution and violence are likely to reinforce problems of health, educational attainment, labor prospects and integration. Where long-term difficulties in meeting mortgage and rental payments are evident this can lead to greater demands on social housing, relocation and, in extreme cases, homelessness. Technology can be used as a means to break down integration barriers by providing wide-spread access to information, as well as net-works.

As with other areas, the development of the information society has brought risks of social exclusion for those individuals who do not possess the necessary skills, equipment or access. Computer and Internet skills are just one form of participation in today's society. In a wider sense, social participation refers to whether individuals participate in activities and organizations, or whether they keep in touch with neighbors, family and friends.

4.1 Labor Market Indicators

High unemployment is currently a problem shared by all the nations of the European Union. In fact, the high level of unemployment in European Union member nations is one of the most important characteristics that distinguishes the economies of these countries from that of the United States. This is a really problematic situation because when workers are unemployed, there is an underutilization of resources so the total production of goods and services is less than what it could potentially be. Furthermore, if people cannot find jobs in their country or if the pay is lower than in other countries, they may be tempted to migrate to another country where there is a higher demand for labor and wages are higher. This can potentially be disastrous for the future of a nation, particularly if other nations are attracting its top talent, especially the young active with high skills. Therefore, if this problem continues to persist in Europe, it could become a decisive factor in the future economic development and political power of these nations compared to the United States.

In addition, chronic unemployment not only affects the status of a nation in comparison to others, it also introduces severe domestic problems. Long-term unemployment has been shown to lead not only to financial hardship, poverty, dept, homelessness and crime, but also to several other often overlooked key problems such as family tensions and breakdown, social isolation, loss of confidence and self-esteem, and feelings of shame and stigma, which can all lead to the erosion of a healthy society (The Office of the Deputy Prime Minister, 2004). Furthermore, it is particularly problematic for a society when the unemployment rate for young adults is very high because if young people are consistently unemployed, they may never learn marketable skills or the ones they have obtained through their education may become obsolete before they are employed (Paulo Marques, 2012).

Persons are considered to be long-term unemployed after 12 months of unemployment, and very long-term unemployed after 24 months. The unemployment rate[3] for the EU-28 increases from 7 % in 2008 to 10.2 % in 2014, while the long-term unemployment rate[4] increases too from 2.6 % to 5.1%. So, this means that in 2014 the long-term unemployed in the EU-28 is the half of the unemployed in 2014.

From the beginning of the crisis, the Southern Europe is facing an important unemployment's increase comparatively to EU-28 (Table 4.1.) but the problem does not

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[3] The **unemployment rate** is the number of unemployed persons as a percentage of the labor force based on International Labor Office (ILO) definition. The labor force is the total number of people employed and unemployed. Unemployed persons comprise persons aged 15 to 74 who: - are without work during the reference week; - are available to start work within the next two weeks; - and have been actively seeking work in the past four weeks or had already found a job to start within the next three months.

[4] The **long-term unemployment rate** expresses the number of long-term unemployed aged 15-74 as a percentage of the active population of the same age. Long-term unemployed (12 months and more) comprise persons aged at least 15, who are not living in collective households, who will be without work during the next two weeks, who would be available to start work within the next two weeks and who are seeking work (have actively sought employment at some time during the previous four weeks or are not seeking a job because they have already found a job to start later). The total active population (labor force) is the total number of the employed and unemployed population. The duration of unemployment is defined as the duration of a search for a job or as the period of time since the last job was held (if this period is shorter than the duration of the search for a job).

present the same intensity in the 4 countries of this area. In fact, two groups of countries can be distinguished: Portugal and Italy with a relatively limited increase while Spain and Greece are really confronted to a very deep social problem. In case of Greece the unemployment rate has been multiplied by more than 3 during the period 2008-2014.

Table 4.1. Unemployment rates in Southern Europe during the crisis

Countries	**2008**	**2010**	**2012**	**2014**
EU - 28	7,0	9,6	10,5	10,2
Greece	7,8	12,7	24,5	26,5
Spain	11,3	19,9	24,8	24,5
Portugal	8,8	12,0	15,8	14,1
Italy	6,7	8,4	10,7	10,2

Source: Eurostat

In terms of social exclusion, the long-term unemployment is obviously the most important indicator. Once again, there is a clear difference between the two groups of countries above mentioned (Table 4.2).

Table 4.2. Long-term unemployment rates in Southern Europe during the crisis

Countries	**2008**	**2010**	**2012**	**2014**
EU – 28	2,6	3,9	4,7	5,1
Greece	3,7	5,7	14,5	19,5
Spain	2,0	7,3	11	12,9
Portugal	4,1	6,3	7,7	8,4
Italy	3,1	4,1	5,7	7,8

Source: Eurostat

If at European level, the long-term unemployment has been multiplied by 2 during the examined period, the increase is incomparable for Spain and Greece with coefficients about 6, 5 and 5, 3 respectively (Table 2).

European unemployment predominantly affects particular segments of the population, namely young adults, women, and those already unemployed for a long period of time, and in all these cases the effect of unemployment on these groups is particularly strong in Spain.

Furthermore, Spain shares with the most of the members of the European Union a specific institutional and legal system that implies important rigidities in the functioning of the labor market. Even considering the reforms carried out in 1994, all of these rigidities are even more exaggerated in Spain. In some cases this is due to a greater level of intervention of the government, and other times it is due to the inertia of legislation that has only recently been annulled. Furthermore, it is important to note that Spain is the European Union member with the highest level of temporary employment, which can be very negative for job creation due to its negative effects on productivity (Victoria Garcia-Rubiales).

Moreover, high youth unemployment in Europe is a major issue for European economic policy. Reforms are particularly urgent in all the Southern European countries even if Portugal seems to be in a better position. The recession of the last years is responsible for the increase in youth unemployment in the EU. In addition, there are two structural causes for the high level of youth unemployment in these countries: rigid labor markets and suboptimal education and training systems. But it is necessary to mention that in the meantime, the most important labor market reforms have been planned and are in phase of implementation.

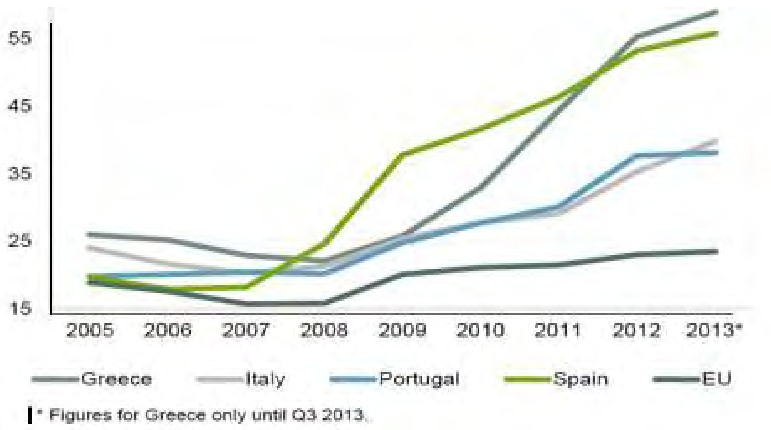
As far as education and training are concerned, the first reform packages have been launched – for example, pilot projects to establish dual vocational training. It is still too early to evaluate the impact of these reforms; in fact, they will only have an effect in the medium to long term. In the short term, active labor market policies and increased international mobility of young people for training and employment purposes can provide some relief. The countries under consideration are currently investigating ways of strengthening of their vocational training system and the introduction of a dual system similar to the German model. In some cases they have already launched pilot projects in this regard. But it is doubtful whether the highly acclaimed dual vocational training system can easily be exported to other countries. After all, the system in Germany was developed and enhanced over decades and is therefore adapted to the structure of the German economy. In addition, reforms in the education system have an impact on the labor market only in the medium to long term. Nevertheless, from an economic perspective it makes sense to eliminate the aforementioned structural problems in the education system, which existed even prior to the financial and economic crisis. (Elke Lüdemann and Barbara Richter, 2014).

The youth unemployment rate in some Southern European countries currently lurches from one record to the next. Spain and Greece in particular, but also Italy and Portugal, are experiencing high and rising rates. In 2012, 7.5 millions of young people 15-24 years old in the EUR-28 countries were not in employment, education or training (NEET) while 5.6 millions of them were unemployed.

4.1.1 Youth unemployment: a question often misinterpreted

In the wake of the crisis, the traditionally high youth unemployment rates in Greece, Spain, Italy and Portugal rose even further (Figure 4.1).

Figure 4.1. Youth unemployment rate in selected Southern European countries (in %)



Source: Eurostat

The further weakening of the economies in these countries, caused by excessive fiscal consolidation, has reinforced this trend. From 2006 until 2013, the rate in Spain tripled, and it roughly doubled in the other countries. While an improvement was noticeable in Greece, Spain and Italy prior to the start of the financial crisis, there had been a steady increase in Portugal since 2000, which has been accelerated even more since the financial crisis.

In addition to this increase triggered by the economic situation, there are also structural reasons explaining the high youth unemployment in all four countries. The widely followed youth unemployment rates exaggerate the actual problem. The rate consists of the number of job-seeking young people 15-24 years old in relation to the number of people in the labor force (i. e. those with jobs and those looking for work) in the same age group. But this is only a small portion of the whole population 15-24 years old. Many young people are still in education or training and are not available to join the labor market (Cf. Eurostat, 2013).

The youth unemployment ratio is a better indicator for measuring youth unemployment. It consists of unemployed but job-seeking young people in relation to the overall population between the ages of 15 and 24. The youth unemployment ratio is therefore easier to interpret and considerably lower than the rate. For example, the youth unemployment rate[5] in Spain was 55.5% in 2013, whereas the youth unemployment ratio[6] was 20.8 % (Table 4.3). This means that one in five young Spanish people was unemployed, not one in two, as the unemployment rate suggests.

Table 4.3 Youth Unemployment rate and ratio in Southern Europe 2013 (%)

	Youth unemployment rate	**Youth unemployment ratio**
	2013	**2013**
EU - 28	23.4	9.8
Greece	58.3	16.6
Italy	40	10.9
Spain	55.5	20.8
Portugal	37.7	13.5

Source: Eurostat

Yet even based on this indicator, youth unemployment has more than doubled in the reform countries, excepted Italy. Of course, a figure of 20.8 % young unemployed people in Spain is still much too high, especially compared to the EU average of 9.8 %.

[5]**Youth unemployment rate** is the percentage of the unemployed in the age group 15 to 24 years old compared to the total labour force (both employed and unemployed) in that age group. However, it should be remembered that a large share of people between these ages are outside the labour market (since many youths are studying full time and thus are not available for work), which explains why youth unemployment rates are generally higher than overall unemployment rates, or those of other age groups.

[6]**Youth unemployment ratio** is often used as the percentage of unemployed young people compared to the *total* population of the age group 15 to 24 years old (not only the active, but also the inactive such as students).

Furthermore, the high levels of youth unemployment are due in part to the recessions following the global financial crisis and the sovereign debt crisis. But, in addition, structural aspects play a major role too, because the level of youth unemployment was already very high prior to the crisis. Two reasons stand out in this regard: firstly, the need for improvements in education and training systems and, secondly, rigid labor market regulation, which ensures that few new permanent jobs are created.

4.2 Education indicators

As it was foreseen, the rise in unemployment due to the crisis between 2008 and 2011 is directly correlates with education level. As it appears from the OECD data, the increase is systematically higher for the population with low education level and this is not a specificity of the southern European countries, this is a general phenomenon (see Table 4.4).

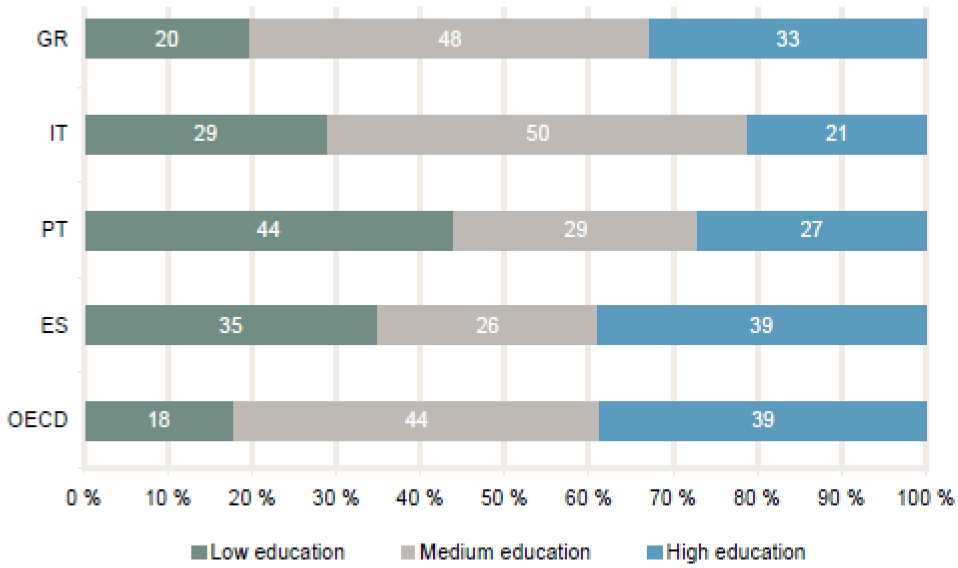
Table 4.4. Unemployment rate among 25 to 34 year olds in 2008 and 2011 (%)

Countries	Education level	2008	2011	Change 2008-2011
Greece	Low	10	25.1	+15
	Medium	10.4	23.4	+13
	High	12	25.6	+13.6
Italy	Low	11.3	14.8	+3.6
	Medium	7.2	10.2	+2.9
	High	9.4	11.5	+2.1
Portugal	Low	9.2	16.1	+6.9
	Medium	7.5	12.2	+4.7
	High	9	12.7	+3.7
Spain	Low	17.4	33.4	+16.
	Medium	11.2	24.	+12.8
	High	8	16.2	+8.2
EU-21	Low	15.5	22.3	+6.8
	Medium	6.5	11.	+4.4
	High	4.7	7.6	+2.9

Source: OECD 2011

Greece was the only country where unemployment among young people 25-34 tears old increased equally for all skill levels. Unlike in the EU as a whole, people who are more highly educated in Greece, Italy and Portugal even had a slightly higher risk of unemployment than those with a medium level of education. Despite significant progress in recent decades, the educational level of the population in all four countries is below average compared to similar highly developed industrial countries. This can be seen, firstly, in terms of level of educational attainment (Figure 4.2), and secondly, in terms of international student assessments as proposed by the OECD through its PISA program[7] which examines fifteen years-old pupils or the new PIAAC[8] study, which assesses the skills of the working age population.

Figure 4.2: Education level of 15 to 34 year olds



Low education: below upper secondary level (ISCED 0-2, e. g. lower secondary education certificate); medium education: upper secondary level or post-secondary, non-tertiary education (ISCED 3-4, e. g. completed vocational training or upper secondary education certificate); higher education: tertiary education (ISCED 5-6, e. g. university degree or completed master craftsman training).

Source: OECD (2011)

The two above mentioned monitoring studies confirm a delay in terms of performance (education quality) for Southern countries comparatively with the other OECD

[7] **PISA**: Programme for International Student Assessment

[8] **PIAAC**: Programme for the International Assessment of Adult Competencies (24 participating countries).

countries monitored (see Table 4.5). A revealing indicator of this problem is related to the performance in mathematics. As stipulated by A. Vassiliou[9] (2011), "Competence in mathematics has been identified at EU level as one of the key competences for personal fulfillment, active citizenship, social inclusion and employability in the knowledge society of the 21st century".

Although Greece, Italy and Portugal were able to catch up significantly between 2003 and 2009 in the PISA study, all four countries are still well below the OECD average in the latest 2012 PISA study. However, Italy, Spain and Portugal were at least able to maintain in 2012 the level reached in 2009 while Greece, after a period of significant improvement in its average score, presents a serious deterioration with lower level than in 2006, confirming the deep social dimension of the crisis in Greece.

Table 4.5 Performance in mathematics in PISA and PIAAC

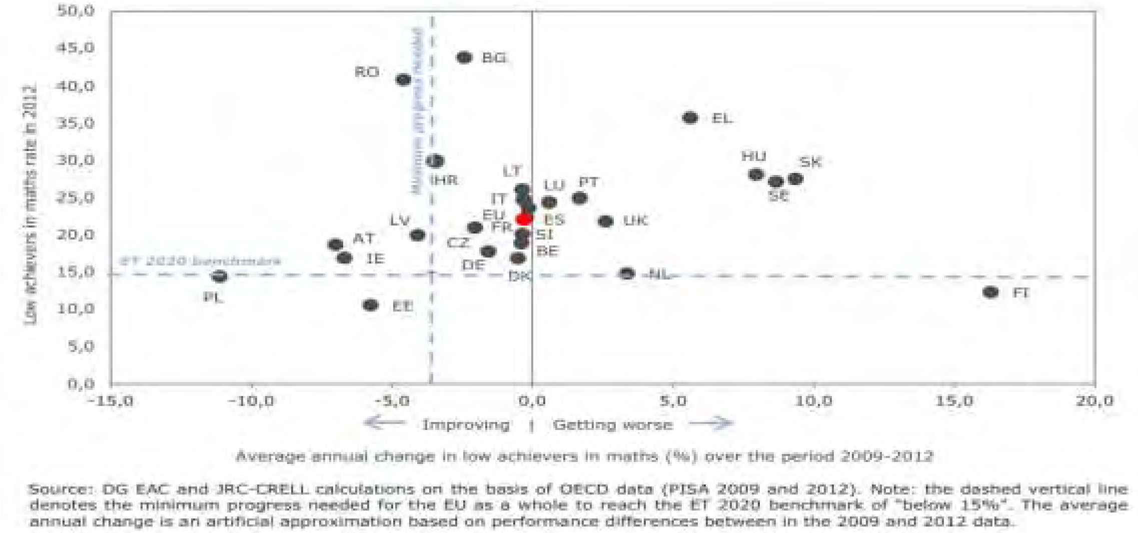
	PISA 2003	PISA 2006	PISA 2009	PISA 2012	PIAAC 2012
Greece	445	**459**	466	**453**	-
Italy	466	462	483	485	247
Spain	485	480	483	484	246
Portugal	466	466	487	487	-
OECD	500	498	496	494	269

Source: OECD (2012)

Moreover, if we take into consideration the E.U.'s objective (ET 2020 benchmark) that is to reduce the share of low achievers in mathematics below 15%, Greece is not only lagging behind this challenge but its situation is getting worse between 2009 and 2012 (European Commission, 2013). The situation of Greece is clearly different from the one prevailing in Spain, Italy and Portugal: these 3 countries are not so far from the minimum progress needed in order to reach the benchmark while they did not suffer important degradation as regards the percent of low achievers (except Portugal) as we can observe in the following figure.

[9] Commissioner responsible for Education, Culture, Multilingualism and Youth

Figure 4.3. Percentage of low achieving students and annual change in mathematic



Through the analysis of the main indicators of education achievement and performances, it is possible to detect and summarize the main problems encountered by the 4 southern European countries.

4.2.1 Spain: Deficits in secondary education, high level of dropouts

In Spain, when compared internationally, a very high percentage of young people have completed lower secondary education at most[10] (see figure 4.2). The main challenge for Spain is the school dropout. This country has not only the highest school dropout rate in Europe but also the highest ratio of pupils who have to repeat classes (35 %).

Prior to the crisis there were still many employment opportunities for low-skilled people in the construction industry and in the tourism sector (hotels and restaurants). Since the onset of the crisis, these very important sectors for the national economy have been particularly hard hit, resulting in a disproportionately sharp increase in unemployment among the low-skilled.

[10] In Germany, this corresponds to successfully completing lower secondary education without subsequent vocational training.

4.2.2 Portugal: Deficits in secondary education, educational level too low, limited equal opportunities

The educational level of Portugal's population is still relatively low. 44 % of 25 to34-year-olds do not complete upper secondary level education. One positive aspect is the fact that past educational reforms have resulted in considerable improvements in the cognitive skills of pupils (see table 4.5) the improvements appeared mainly between 2006 and 2009, i.e. before the crisis (+21 PISA points in mathematics); since 2009 the PISA results have stagnated. In addition, the dropout rate has declined by more than half since 2000 (see Table 4.6), although a dropout rate of one fifth is still unacceptably high. In Portugal, the family background has a stronger influence on the dropout rate and on the attainment of higher education than in other countries. This contributes to a high level of educational inequality, ultimately leading to high income inequality.

Table 4.6. School dropout rates

	2000	2005	2008	2009	2012
Greece	18.2	13.6	14.8	14.5	11.4
Italy	25.1	22.3	19.7	19.2	17.6
Portugal	43.6	38.8	35.4	31.2	20.8
Spain	29.1	30.8	31.9	31.2	24.9
EU - 28		15.7	14.7	14.2	12.7

Percentage shares of 18 to 24-year-olds who have completed lower secondary education at most and are no longer participating in general or vocational education measures.

Source: Eurostat

4.2.3 Italy: Low Educational level, duration of studies too long

In Italy, the educational level of the population is likewise low when compared to other countries. This happens because the university system is producing graduates in the wrong way proportions for the labor market which means too few engineers, for instance and too many lawyers.

It is also absolutely necessary to improve the quality of the overall school system, as can be seen, for example, in the PISA study: like Portugal, between 2006 and 2009 Italy achieved significant improvements in the skills measured in the PISA studies (+21

PISA points in mathematics). The high rate of school dropouts is also a problem in Italy even if we observe a durable improvement during the last 12 years (see Table 4.6).

One of the major characteristic of the education level in Italy concerns the significant deficits in the tertiary sector. Compared to other countries, Italy has a very low level of university graduates (see figure 4.2) even though a disproportionately large number of young people, roughly three out of four pupils in the class, achieve a qualification to enter university. Even if the total number of students entering university has sharply increased over the last decade, interest in tertiary education appears to have declined again in the last five years, as a consequence of the crisis.

The long duration of studies and the high rate of university dropouts are among the central deficits in tertiary education. Very few students complete their studies within the normal period, and more than half (55 %) abandon their studies completely.

4.2.4 Greece: An overly centralized and inefficient education system

Although the formal educational level in Greece is relatively close to the OECD average (see figure 4.2), the cognitive skills actually attained in Greece are still considerably below the OECD average and also significantly (i. e. by about one school year) behind those of Portugal, Italy and Spain (see table 4.5) Greece also performs relatively poorly in the PISA study when compared to countries with similar GDP and per-capita spending on education.

Although there are a relatively large number of teachers per pupil in Greece, Greek teachers spend comparatively few hours a week in the classroom actually teaching. This explains the high level of per-capita spending on education despite relatively low teacher salaries.

The Greek education system is highly centralized. As there are no external evaluations of schools and / or teachers, there is a lack of important information for quality control purposes (but there are university entrance exams). In order to offset the lack of quality in the public school system, it is customary to invest in private tutoring (so-called "frontistíria").

4.3 Health indicators

A person's health results largely from inherent factors, lifestyle, access to, and quality of healthcare. Social exclusion can be triggered by poor health, and may also reinforce health problems, for example, where the form of social exclusion results in barriers to healthcare.

Several researchers have explored the relation between poverty and poor health from different points of view. Sociologists, health economists, epidemiologists, geographers and other scientists stress the importance of the reduction of social inequalities in health and well being (McCalley et al., 1998; Eames, Ben-Sholmo, & Marmot, 1993; Benzeval, 1998; Vostanis, Grattan, & Cumella, 1998; Weinreb, Golberg, & Perloff, 1998; Gatrell, 1998). This is a fundamental question that should be present in any health policy agenda (Mackenbach & Gunnings-Schepers, 1997; Whitehead, 1998). Some research highlights socio-economic variations in health (Duncan, 1996; Kunst, 1997; Kennedy, Glass, & Prothrow-Smith, 1998). The consideration of the spatial distribution of disadvantage makes visible factors such as high premature mortality rates (Waitzman & Smith, 1998), hospitalisation or morbidity and can be used to plan adequate health and social interventions at local and regional scales (Macintyre, 1998; Macleod, Graham, Johnston, Dibben, & Morgan, 1999).

According to Benzeval et al. (Benzeval & Judge, 1998, p. 8, 7) *"It has been recognized that poverty is associated with poor health (...) After adjusting for differences in age and sex, there is a very striking relationship between self-reported health and level of income (...) Some people may have poor health because of low income while others have low income because of prior sickness"*.

Reductions in infant mortality, changes in working/living conditions, education, and not least healthcare have all resulted in increased life expectancy, namely the mean number of years that a person (for example, a newborn child or a person aged 65) can expect to live if subjected throughout (the rest of) their life to current mortality conditions. The number of healthy life years indicates the number of years that a person is expected to live in a healthy condition, in other words in the absence of limitations in functioning/ disability. Long-standing diseases, frailty, mental disorders and physical disability tend to become more prevalent in older age, and the burden of these conditions may result in a lower quality of life for those who suffer from such conditions and may also impact upon those who care for them (Paula Santana, 2002, "Poverty, social exclusion and health in Portugal", Social Science & Medicine, Department of Geography, University of Coimbra).

One of the most famous health indicators is this one of Healthy life years and life expectancy at birth indicator. The indicator Healthy Life Years (HLY) at birth measures the number of years that a person at birth is still expected to live in a healthy condition. HLY is a health expectancy indicator which combines information on mortality and morbidity. The data required are the age-specific prevalence (proportions) of the population in healthy and unhealthy conditions and age-specific mortality information. A healthy condition is defined by the absence of limitations in functioning/disability. The indicator is calculated separately for males and females. The indicator is also called disability-free life expectancy. Life expectancy at birth is defined as the mean number of years still to be lived by a person at birth -, if subjected throughout the rest of his or her life to the current mortality conditions. In the above table are given the results of this indicator for each country of South Europe. (see table 4.7)

Table 4.7 Healthy life years

	Female			**Male**		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
Greece	66,9	64,9	65,1	66,2	64,8	64,7
Portugal	58,6	62,6	62,2	60,7	64,5	63,9
Spain	65,6	65,8	63,9	65,4	64,8	64,7
Italy	62,7	61,5	60,9	63,5	62,1	61,8
EU-28	32,1	62,1	61,5	61,7	61,5	61,4

Source: Eurostat

Moreover, the problem of health inequality is very much related to the number of disadvantaged people at different forms of social exclusion. There is wealth of Eurostat data showing how many of the wider social determinants associated with health outcomes are unequally distributed in all member states.

Mackenbach (2006) reviews the most recent data and shows that the problem of health inequality is universal. As regard common indicators of socio-economic position – such as employment and occupational status, income level or educational attainment – those in the poorest circumstances face higher risks of adverse health outcomes than those who are better off.

It would be helpful, therefore, to take Graham's (2004, pp. 118, 120, 123) typology of classifications of health inequality into consideration. According to him, there is a distinction between the poor health of socio-economically disadvantaged people, health gaps between different groups and social gradients across whole populations (Anna Trichopoulou).

As it has been referred in previous chapters poverty is a precarious position arising from economic and financial conditions. Exclusion is a process that leads people to isolation, expelling them from social networks and from the consumption of essential goods and services, such as health care, that are available to other citizens. For example, in Portugal, poor and excluded people share the problems of poor health, inadequate education, unemployment and incapacity to face new labor situations. So, poor and excluded people are found in same groups old people alone, people with less education living in suburban or rural areas, immigrants, long term unemployed, single mothers, children living in poor households, prisoners and ex-prisoners, alcohol and drug abusers.

Also, the same phenomenon happens in Greece too as because of the economic crisis the majority of the citizens don't have access to health care services and the cost for patients has increased dramatically as increases the co-payment for medicines, it is posted an introduction of a ticket for accessing public hospitals, there are restrictions to entitlements for certain treatments or medicines and reductions in benefits (Dimitris Katsikas, Alexandros Karakitsios, Kyriakos Filinis and Athanassios Petralias, 2014).

4.4 Conclusion

Social exclusion in developing countries can take several forms and is defined by internal as well as external factors on economic, social and political fronts. it includes exclusion from live hood (employment and waged work); exclusion from social services (welfare and security); exclusion from the consumer culture (inability to satisfy basic needs for food and shelter); exclusion from political choice (participation in national and international political decisions); exclusion from bases for popular organization and solidarity; and exclusion from adequate access to information (Hachem 1996; Wolfe et al. 1995, cited in eSCWa2007, pp 9, 10).

The main goal of this chapter was to examine how the four countries which belong to the “Southern” face the phenomenon of social exclusion and in which extent there are confronting the same situation.

The common point as regards social exclusion during the crisis in Spain, Italy, Greece and Portugal is that youth and the elderly are the most affected and constitute effectively the most vulnerable groups. In the case of youth, their extremely high rate of unemployment is something that effectively makes them not having access to the labor market and this situation conduces a lot of them to true risk of the social exclusion.

On the other hand, older people are faced by the threat of losing independence –either financial or otherwise –which is a key challenge and underpins the identification of different domains of social exclusion for them. Decent housing and access to public transport have been found to be key issues for older people. Given that social exclusion is also related to societal participation, social exclusion is possibly more relevant for older people than other measures of deprivation given that age related factors operate to prevent societal participation.

So, in order the countries to overcome and fight the social exclusion they organize programs which aim to improve the ability, opportunity and dignity of people, disadvantaged on the basis of their identity, to take part in society. Next chapter will present some of these programs and methods for overcoming social exclusion.

5 Conclusion: The crisis and its consequences on Social inclusion

Until the mid 1990s, the notion of Social Europe was primarily associated with the introduction of binding supranational rules aimed at safe guarding and possibly upgrading the social protection systems of the Member States. The political and institutional obstacles to such kind of rules were well known in practice and well understood in theory – especially in the wake of the negative versus positive integration debate. But 'hard law' seemed to be the only effective strategy of action, given the low impact of weaker institutional tools such as recommendations, on the one hand, and the growing incentives for 'social dumping' generated by the completion of the internal market, on the other hand.

During the second half of the 1990s, a gradual change of climate and perspective witnessed. Binding legislation continued to be seen as a very important instrument for Europe's social dimension: indeed the debate on fundamental rights and on a possible fully-fledged EU constitution shifted the front of legal ambitions even further. But at the same time another strategy of policy intervention started to be considered and experimented with, resting on a complex mix of soft institutional ingredients, endowed with a strong potential of conditioning the direction of change at the national level. Originally applied in the area of employment, this new approach was then extended to other policy sectors – and most notably, policies to combat social exclusion – under the name of 'open method of coordination' (OMC), coined during the Portuguese Presidency in 2000.

The main institutional ingredients of the OMC are common guidelines, national action plans, peer reviews, joint evaluation reports and recommendations. None of such instruments have a binding character, under pinned by legal enforcement powers. Moreover, while providing policy actors with a relatively clear agenda, the mix of these ingredients leaves ample room for national contextualization. The new approach remains 'soft' and 'nation-state friendly': two features that greatly facilitate the making of coordinated decisions. Even in the absence of hard regulation and sanctions, the OMC generates however several incentives for compliance on the side of national and sub-national governments. The institutional ingredients listed above are organized in relatively structured 'processes' that repeat themselves over time with a regular calendar. Such processes create trust and cooperative orientations among participants and tend to encourage learning dynamics.

Social exclusion has been brought under the scope of the open method of coordination in the course of 2001. Even though, as we shall see, the substantive boundaries of this policy area remain relatively vague, its core objective plays a central role for the so-called European social model. Making sure that each citizen can count on a basic floor of rights and resources for participating in society is one of the prime 'common concerns' of all EU Member States. National (and even sub-national) traditions and sensitivities regarding how to achieve this objective are however extremely diverse – probably more diverse than in other social policy fields such as pensions or employment. If well designed and calibrated, open coordination policies against social exclusion could thus lead to a virtuous mix of external spurs for 'puzzling' about problems and internal efforts for identifying (and implementing) adequate solutions.

In this context, it is useful to reconstruct the main steps that led to the launching of the new 'social inclusion process' at the EU level as well as to describe the main features of the process in itself. This will allow us to finally discuss its effectiveness and the future perspectives.

5.1 European Union Social Indicators

In recent years, the European Union has given an increasing interest in competence on social policy, even if, under subsidiary system, social policies including policies to maintain and raise social inclusion have been and still are the responsibility of Member States. The Amsterdam Treaty has given a central role on the fight against social exclusion and the Social Policy Agenda adopted by the Nice European Council has expanded and deepened its scope. This is occurring in a context where the links between economic and social spheres are increasingly considered as of central importance, fact that, at the March 2000 Lisbon European Council, was highlighted during the identification of a fresh set of challenges which must be met by the end of this decade so that Europe can become "the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion". A guiding principle of the Social Policy Agenda is thus strengthening the role of social policy as a productive factor, and the need for a balance relationship between it and the other pillars of the Lisbon strategy, so that social protection not only allows the mobilization of human potential (social cohesion) but also facilitates risk taking and entrepreneurship.

In seeking to make a decisive impact on the eradication of poverty and social exclusion by 2010, it was agreed to adopt the ‘open method of coordination’, with key elements being the agreement of common objectives on poverty and social exclusion as the preparation of National Action Plans on social inclusion (NAPs/inclusion) that Member States have to submit every second year to the Commission (the first were in June 2001), the exchange of good practices across Member States through so-called peer reviews and the adoption of common indicators to monitor progress towards the common objectives and encourage mutual learning.

The preparation of a regular Joint Report on Social Inclusion first drafted by the Commission on the basis on the NAPs/inclusion and then finalized between the Commission and the Council is probably the critical element of the whole method in that it builds on all its components. It has to meet the challenge of providing a sound critical analysis. The final aim of the open method of coordination is to improve performance of all the Member States and, ideally bring them all to a high level. To achieve this, hard-headed analysis is necessary. The Commission, in its capacity as an independent and neutral body, can and has to play a key role in conducting such a critical analysis; together with the Social Protection Committee it has to be the driving force of the whole “open-coordination” process in the social field. The Joint Report may then be seen as providing a framework within which other actions may unfold – the structured exchange of information and good practices, together with analysis of the impact of different policies that can evolve semi-spontaneously as the open method of coordination matures.

In judging the progress made by individual Member States, countries are ranked as regards the different dimensions of social exclusion. This process has been considered as an inevitable instrument in order to stimulate the countries to improve their national situation. In fact, the Commission try to identify the best-performing Member States and encourage other Members to emulate them and learn from their experience. For example, the fact that the child poverty rate is higher in the UK than in the Nordic countries is a step towards understanding the underlying reasons. It is important however to stress that the objective is to achieve through the policy choices, an adequate level of performance.

The Social Inclusion process has much in common with the employment strategy, initiated in 1997, whereby the European Council agrees employment guidelines for the Member States on an annual basis, and monitors progress towards achieving the objectives they lay down through reviews of National Action Plans for employment. The Commission and the Council jointly examine these Action Plans and present a Joint Employment Report to the European Council.

This process has served to demonstrate the role that co-ordination, with agreed common objectives and monitoring procedures, can play and this broad approach is in effect, since Lisbon, being applied to poverty and social exclusion. The Social Inclusion process is at a different stage from the Employment process, and there are clear differences (for example, it currently has no Treaty status, although this is under consideration as part of the European Convention), but it can be seen as taking forward a promising approach to EU cooperation and applying it to a new and important area of policy. This approach seems to give some important results and for this reason, the open method of coordination is now applied to new fields such as research and development.

The Stockholm European Council in March 2001 gave a mandate to the Council to improve monitoring of actions fighting poverty and social exclusion by agreeing a set of social inclusion indicators at the end of the Belgian Presidency of the Council of the EU (2001). The task of developing this set of indicators was assigned to the EU Social Protection Committee, which comprises high-level officials from the relevant ministries in each Member State. As a contribution to this complex exercise of reaching this agreement within such a short period of time, the Belgian Government commissioned a scientific study (Atkinson, Cantillon, Marlier and Nolan, 2002) on the subject that fed into the work of the Sub-Group and organized an international conference to discuss it. The Indicators Sub-Group worked on the topic for much of 2001, taking as point of departure the set of structural indicators that had been developed by the Commission for its first annual Synthesis Report presented to the Spring European Council of that year. The fruits of their labors were summarized in the Report subsequently endorsed by the Laeken European Council. The Social Protection Committee's Report largely followed the approach taken in the Atkinson study in terms of methodological principles for selecting and organizing appropriate indicators, and was consistent with the broad thrust of its recommendations though differing in some details.

Social indicators are in wide use, for a variety of purposes. In the present context, we are concerned with one specific use: as part of the process of open coordination. This specific purpose is reflected in the principles underlying the choice and construction of indicators. In setting out its methodological principles, the Indicators Sub-Group stressed first that the portfolio of EU indicators should command general support as a balanced representation of EU social concerns and, because of this, the proposed set of indicators should be considered as a whole. Secondly, the Committee recommended to focus on common indicators that address social outcomes rather than the means by which they are achieved (for instance, the level of education attained, not the total spending on schools). As mentioned above, Member States, while agreeing on the indicators by which performance is to be judged, are left free to choose the methods by which these objectives are realized. (Focusing on outcomes may also foster a cooperative attitude between the different national bodies – ministries, agencies... - that have competence in these areas, whereas as far as inputs are concerned they may be more inclined to see competition for resources as a zero-sum game.) Thirdly, the Committee also adopted a set of methodological principles to guide the selection of indicators – to give just a few examples, that an indicator should be robust and statistically validated, should be measurable in a sufficiently comparable way across Member States, and should be timely and susceptible of revision, while the indicators as a set should be as transparent and accessible as possible to the citizens of the European Union. The Atkinson study sets out six principles referring to individual indicators and three referring to the portfolio as a whole. The first of the methodological principles listed by the Social Protection Committee is that an indicator should have a clear and accepted normative interpretation. Users should be clear which direction of change represents progress. This is particularly important when we turn to the issue of the setting of targets. The conclusions of the Barcelona European Council in the Spring of 2002 invited Member States "to set targets, in their National Action Plans, for significantly reducing the number of people at risk of poverty and social exclusion by 2010". Even though setting targets remains at the present a responsibility of Member States, many of the factors that arise are clearly common to all countries. In particular, the considerations that entered the choice of social indicators are in many cases relevant to the determination of targets.

5.2 The selected Indicators of Social Inclusion

Recognizing that a large number of indicators are needed to properly assess the multidimensional nature of social exclusion, the Social Protection Committee recommended that they presented below:

- Primary indicators consisting of a restricted number of lead indicators which cover the broad fields that have been considered the most important elements in leading to social exclusion,
- Secondary indicators supporting these lead indicators and describing other dimensions of the problem.

5.2.1 Low Income

The Primary Indicators begin with the most widely used indicator of poverty, namely the percentage falling below income thresholds. The Indicators Sub-Group emphasized that this was to be seen as a measure of people who are "at risk of being poor", not a measure of poverty. This reflects a growing realization that low income, on its own, may not always be a reliable indicator of poverty and social exclusion. Those observed with the same income level at a point in time may have quite different living standards, because both the other resources and the needs of households vary (see for example Layte et al 2001). The availability of other resources, notably savings and other assets as well as assistance from friends and families, will be influenced in particular by how long low income has persisted. Income may be badly measured by the statistical instruments in use, for example because they take no account of the benefit of owning one's own home, the informal economy, employer- provided benefits, and/ or state-provided benefits in kind.

In addition to the way low income measures are to be interpreted, many significant choices have to be made in producing them, and the Sub-Group devoted considerable time to the fundamental one, namely the choice of low income thresholds. The decision to place the main emphasis on relative rather than absolute or fixed thresholds has not been particularly contentious, although a low income threshold anchored at one point in time and updated only in real terms over time was adopted as a Secondary indicator.

The choice of which relative income threshold to prioritize is however more problematic, since practice varies across the Member States. Eurostat, the statistical office of the European Communities, in 2000 adopted 60% of national median equivalized disposable income as the basic risk-of-poverty threshold for their reports, reflecting the advice of the Task Force on Poverty and Social Exclusion. This choice is conventional, even though statistical considerations have partially guided it. The willingness to ensure a relative consistency in most Member States with the risk-of-poverty estimates based on the definition that had been used by Eurostat up to that date (50% of the mean, which in several Member States leads to results that are similar to those produced by a threshold set at 60% of the median) also played an important role in this decision. Finally, the Lisbon European Council, in setting the goal of making a decisive impact on the eradication of poverty by 2010, also made reference to income poverty figures computed with that 60% median threshold. This was also clearly influential in the recommendation that 60% of median income be the threshold employed in the Primary low income indicator. However, the Sub-Group also concluded it was necessary to report as Secondary indicators the number of people living in households with incomes below 40%, 50%, and 70% of median income, to capture the shape of the income distribution around the 60% threshold, which had also been recommended by the a fore mentioned Task Force. They were clearly concerned nevertheless that people falling below 60% and even more so 70% of median income should not be taken on that basis as “poor”, and labeled the indicators “low income” rather than “poverty” rates. When finalizing the 2001 Joint Report on Social Inclusion, the Commission and the Council subsequently agreed on the description “persons at risk of poverty”.

The research literature on poverty measurement has emphasized for many years that simply measuring the numbers falling below an income threshold can give misleading signals, failing to distinguish between the situation where they are all just below versus very far below that threshold. Finding the best way of measuring this depth aspect of low income is more difficult, particularly in the light of the known unreliability of very low incomes in household surveys. The measure adopted is the difference between the median income of persons below the 60% risk-of-poverty threshold and that threshold.

In monitoring changes over time, we need to bear in mind how far the observed change in the size of the population at risk of poverty is due to changes in their circumstances and how far due to changes in the 60% of median income threshold. The median income may, for example, vary cyclically, so that an observed rise in poverty could be a reflection of the business cycle rather than deterioration in the standard of living of those at the bottom of the distribution. For this reason, the Secondary Indicators include an indicator anchored at a point in time. It should however be noted that it is important to keep the base year fixed throughout the monitoring period.

5.2.2 Income distribution

One of the structural indicators already in use by the Commission was an income distribution measure, namely the ratio of the share of total equivalized disposable income going to the top versus the bottom quintile (as opposed to total "non equivalized" disposable income, which was used in the2000 structural indicators), and this has been adopted as a Primary indicator.

The Gini coefficient, is widely used as a summary income inequality measure though less straightforward than the quintile shares ratio, is to be used as a Secondary indicator.

5.2.3 Jobless Households

The EU policy agenda places a strong emphasis on increasing employment and on good-quality jobs as the best way to tackle social exclusion. It is recognized however that employment will not tackle poverty if it is unevenly distributed among households, and some countries have been particularly concerned about a growing divide between 'work-rich' versus 'work-poor' households. A Primary indicator measuring, for eligible households only, the number of people (aged 0-59 and 0-64) in jobless households was therefore adopted, with joblessness captured by lack of employment regardless of whether the people who do not work are unemployed or inactive. This indicator is thus calculated in a very different way from that of the initial structural indicator. Its focus is also quite different given that it is not advanced as a predictor of financial poverty (which does not mean, of course, that joblessness and risk-of-poverty are not in some Member States closely associated) nor as an indication of potential "activation", but as a measure of the household's contact with the world of work, an aspect that is deemed to be important in view of the primacy of work-relations in modern European societies (and underlined in the employment targets agreed at Lisbon and subsequent European Councils).

5.2.4 Long term unemployment

Long-term unemployment is seen as a key cause of poverty and social exclusion, so the percentage unemployed for a year or more – already included among the Commission's structural indicators – is also included as a Primary indicator. The long-term unemployment share (within total unemployment) and an indicator of very long-term unemployment (at least 2 years) were also adopted as Secondary indicators. A variety of other employment-related indicators are of course employed in monitoring the Employment Strategy.

5.2.5 Regional Disparity

The variation of the unemployment rate across regions within Member States was also already in use as a structural indicator. The coefficient of variation of employment, rather than unemployment, across NUTS 2 regions has been adopted as a Primary social inclusion indicator.

5.2.6 Education and Training

The structural indicators in use by the Commission included the share of 18-24-year olds having achieved lower secondary education or less and not currently attending education or training.

This indicator is now one of the Primary indicators for social inclusion, with the proportion of the population of working age with a low educational attainment (distinguishing gender and age classes) as a Secondary indicator.

5.2.7 Health

On health, the Social Protection Committee faced the very real difficulty that while there is a good deal of comparative data on health, very little of it has a specific focus on poverty and social exclusion. At this stage two health-related indicators are included among the Primary set, namely life expectancy at birth (for males and females) and a measure of inequality in self-assessed health. This inequality measure is the ratio of the proportions in the bottom and top income quintile groups of the population aged 16 and over who classify themselves as in a bad or very bad state of health.

5.3 Identification of actions fighting social exclusion and poverty

The European Commission has placed the fight against poverty at the heart of its economic, employment and social agenda – the Europe 2020 strategy. Heads of State and Governments have agreed a major breakthrough: a common target that the European Union should lift at least 20 million people out of poverty and social exclusion in the next decade. Complementary national targets for all 27 Member States will now follow.

In 2008, more than 80 million people across the Union lived below the poverty line, that is, more than the population of our largest Member State, or 16.5 per cent of our population. Women account for well over half of them and 20 million are children. With the economic crisis, the situation has of course worsened.

The most vulnerable people in our societies are the first concerned by the economic crisis. The situation of those earning the lowest amount has continued to deteriorate and they now face a greater risk of indebtedness and insolvency. Young people, migrants and the low skilled, often relying on temporary and low-paid jobs, have experienced the greatest increases in unemployment and are therefore exposed to a worsening of their living conditions. In particular, one in five young people in the labor market is jobless; the unemployment rate for non-EU nationals is more than 11 points higher than for nationals and the low skilled are experiencing an increase in unemployment twice that seen by the highly skilled.

The so-called "working-poor" represented 8% of the working population in 2008, while the risk of poverty rose significantly for the unemployed, from 39% to 44% since 2005.

Furthermore, 8% of Europeans live in conditions of severe material deprivation and cannot afford a number of necessities considered essential in order to live a decent life in Europe, such as telephone, or adequate heating. In the poorest countries, the rate is more than 30%.

Also, over 9% of European population in working age lives in households where nobody works.

Combating social exclusion, promoting social justice and fundamental rights have long been core objectives of the European Union, which is founded on the values of respect for human dignity and solidarity. But the European Union and its Member States must do more and do it more efficiently and effectively to help our most vulnerable citizens.

The Union's greatest asset is its people. The prospects for a prosperous Union depend on Europeans having the opportunities to secure a better future for themselves and their families. Restoring economic growth with more and better jobs will be the key to the fight against poverty.

The Commission proposes to establish a European Platform against Poverty and Social Exclusion, as one of its seven flagship initiatives for action to serve that goal.

5.4 Social Inclusion in South Europe and plans for combating it

Europe is a rich and prosperous place where many enjoy a good standard of living and all that goes with it including good housing, health and an active work and social life. Nevertheless, social exclusion and poverty do exist, and in recent years millions more people have been dragged into this category largely because they have lost their jobs in the economic crisis.

It is worth reiterating that about 24 % of the EU's population is considered as being in or at risk of poverty and social exclusion – that is almost 124 illion eople. It is a crisis for all generations as 27 % of children across the EU and 20.5 % of over 65s are estimated to be struggling with the consequences of poverty and exclusion. The EU and its Member States consider helping society's poorest and most marginalised people a top priority for the forthcoming programming period. That is why Member States will allocate at least 20 % of their ESF budgets for 2014- 2020 to projects and actions that seek to tackle social exclusion by helping to get working age people, especially those in most need, into jobs. This commitment will support the EU as it seeks to meet the Europe 2020 target for lifting at least 20 million people out of poverty by the end of the decade.

5.4.1 Access to employment

Getting a job is the safest route out of poverty for those who can work. This is a difficult message to preach at a time of economic crisis, but as the economies move back to growth the primary focus must be on ensuring sustainable job-intensive growth. Achieving by 2020 the 75% employment rate target for both women and men will allow to 20 million of Europeans to be out of poverty.

The Agenda for New Skills and Jobs sets out the routes for bringing more people into employment, with a focus on better functioning and less segmented labor markets, a more skilled workforce, better job quality and working conditions, and the promotion of both job creation and labor demand. All four aspects are relevant to poverty reduction, and of particular pertinence are the following key actions proposed therein: achieving a new momentum for flexicurity and finding new methods to overcome the labor market segmentation with ensuring modern and inclusive benefits and social security systems; equipping people with the right skills; including digital competences; stimulating recruitment through the selective reduction in non-wage labor costs particularly for the low skilled. This flagship initiative takes a "social perspective" to employment growth, underlining the importance of addressing both the quantity of employment as well as its qualitative dimensions. It emphasizes the need to provide poor people with the skills that can enable them to take full advantage of any expansion in employment potential such as in green jobs as there is a clear synergy between job creation and green growth.

The active inclusion of people furthest from the labor market has featured prominently on the EU and on national agendas.

We now have an agreed set of common principles to help people to have access to the labor market they need. Principles that address the need for integrated strategies combining well-designed income support schemes, inclusive labor markets and adequate social services.

Those furthest from the labor market also need enhanced social support that continues once they are in a job, in order to avoid a revolving-door situation where they find themselves shunted between unemployment and low-quality precarious employment. Evidence shows that this is often missing or inadequate. In several Member States a significant percentage of people in need have no access to social assistance or do not take up their rights.

Others are trapped in a condition of benefit dependency, often with entitlements that are not sufficient to lift them out of poverty.

5.4.2 Social protection and access to essential services

The recent crisis has put social protection systems under the unprecedented challenge of addressing ever increasing levels of exclusion with reduced public resources. Despite the success of social protection to address the most immediate needs following the outbreak of the crisis, a significant proportion of low income people have poor access to social safety nets. Greater efficiency through service consolidation and better delivery, together with the mobilization of a greater set of actors and instruments is now needed. It is also essential that policies address two key challenges:

Prevention which is the most effective and sustainable way of tackling poverty and social exclusion and early intervention to avoid that people that fall into poverty remain trapped in ever more difficult and problematic socio-economic situations.

The adequacy and long-term sustainability of pension systems is crucial for preventing and tackling elderly poverty.

However, the rapid ageing of Europe's population is having wide-ranging impacts on all types of pension schemes and gives unprecedented urgency to the agenda for reforms, with difficult balances to be struck between equity, efficiency and sustainability. The key to adequate and sustainable pensions in the future is 'active ageing' which implies in particular creating conditions that allow older workers to remain longer on the labor market. Pension reforms need to take into account the overall design of social protection. Given the present trends in pension provision, vulnerable groups and people with short or discontinuous work careers are likely to become increasingly dependent on minimum pensions and minimum income provisions for older people.

Widening health inequalities within Member States underline close interactions between health inequalities and poverty, as illustrated by the differences between income groups in levels of health, restrictions in activities due to illness and disability and in life expectancy at birth where the gap between the lowest and highest socioeconomic groups, reaches up to 10 years for men and 6 years for women. Poor health – often arising from poor living conditions – can be a major contributor to poverty as it can reduce the ability to work and due to the costs of treatment and care. Preventing illness and providing access to effective, affordable health and social care are therefore important measures in combating poverty. This is a challenge for public health policy and health systems where increasing demand coupled with severe budget pressure has given new urgency to the efficiency of health systems: the challenge is to improve efficiency while ensuring access for all to quality healthcare.

An ageing population and wider societal changes such as more women entering the labor market, more single households, families without children and different generations of families living far apart from each other, are all contributing to an outburst in demand for health and social services.

The poor may have difficulties in accessing these services, contributing significantly to their detachment from the labor market as they are forced to take on caring responsibilities. The policy challenge, again in the context of budgetary pressure, is one of ensuring a sufficient supply of high quality, efficient and affordable care.

5.4.3 Education and youth policies

Education and training have a direct bearing on what people can be and do. Education and training systems should be instrumental in supporting upward social mobility and help break, rather than reinforce, the cycle of disadvantage and inequality. Pre-primary education is probably the most crucial factor for breaking the vicious circle of intergenerational transmission of poverty, and it is the investments with the highest returns. Investing in high quality early childhood education and care can support a sure start in life for all. Member States have subscribed the benchmark that 95% of children between 4 years old and the beginning of compulsory education should participate in early childhood education and care.

The Commission will work with Member States to make education and training systems more inclusive at all levels and for all ages (primary and secondary school levels, higher education, vocational training and adult learning). In the long-term perspective, reducing school drop-out as agreed by the Europe 2020 headline target to less than 10% early leavers from education by 2020 would be a strong contribution to poverty reduction, since a sufficient level of skills and competences (including digital ones) is indispensable for the employability of young people in today’s labor markets. Worrying trends in the number of young people who are neither in education nor in employment underline the need to step up the broader range of policies supporting young people as agreed in the European Youth Strategy 2010-2018.

Targeted approaches are needed to address the increasing difficulties that characterize transition to adulthood in post-industrial societies, in particular for marginalized youth. The flagship "Youth on the Move" makes precisely the link between education and training on one side, and labor-market on the other by proposing measures to improve young people's employability.

5.4.4 Migration and Integration of immigrants

Managing migration and integration of migrants is now at the forefront of European and national policy agendas. More than 30 million – or 6.4% of the population – living in EU countries are non-nationals. Two thirds of them are third-country nationals. While migration can be an important part of the solutions to Europe's economic, demographic and competitiveness issues, setting a comprehensive and effective policy framework for integration is a major challenge. The process of becoming part of a new society is a very complex one and requires efforts in different areas. It entails access to labor market, housing, public services (especially welfare and educational services), private services (banks, insurance, etc.), and building up of social and cultural relations with the community, participation in political processes. There is ample evidence of intergenerational transmission of disadvantage in the migrant population. In addition, second and third generation of migrants also experience discrimination in access to employment as well as to goods and services. Yet, succeeding in the integration challenge is crucial for European social cohesion, and closely related to the future of European welfare systems. Achieving the Europe 2020 objective of social inclusion and cohesion will crucially depend on the capacity of the EU and its Member States to fit together social and migration policies.

5.4.5 Social inclusion and discrimination

Social inclusion policies need to do with effective anti-discrimination policies, as for many groups and individuals the roots of poverty and hardship very often lie in restrictions from opportunities and rights that are available to other groups. Antidiscrimination and upholding human rights have gained increasing importance in the EU legal order, but full implementation of EU antidiscrimination legislation at national level needs to be supported by relevant policies and concrete actions.

Closer integration between social and antidiscrimination policies is crucial to address the specific disadvantages affecting large segments of the European population.

Gender equality policies, in line with the new Strategy on equality between women and men for 2010-2015, are needed to address the gender income gap that is visible in most age groups, and leads to higher rates of poverty in the female population, both in work and out of work. This risk increases dramatically for single mothers and elderly women.

Addressing the specific forms of discrimination and exclusion faced by people with disabilities also requires interventions across a range of different policy areas. Current poverty indicators fail to reflect that the amount of resources that can ensure a decent life for a person without disabilities may be absolutely insufficient for people with disabilities, due to the additional barriers that they encounter in performing their everyday activities. The new European Disability Strategy 2010-2020 will contribute to breaking down the barriers that prevent 80 million Europeans with disabilities from participating in society on an equal basis.

On almost every account people with mental health problems are among the most excluded groups in society and they consistently identify stigmatization, discrimination and exclusion as major barriers to health, welfare and quality of life. The European Pact for Mental Health and Well-being may contribute to identify how social and health policy actors can work together to promote the social inclusion of people with mental health problems.

Poverty and marginalization of certain ethnic minorities, such as Roma, have increased. A 2009 survey on discrimination in seven Member States by the Fundamental Rights Agency reported that half of Roma respondents had experienced discrimination in the previous twelve months and a fifth had been the victim of racially motivated crime. Many Roma live in low quality, segregated housing and accommodation. Roma children are more likely to be taught in segregated schools, to have poor attendance records, and to leave school early. The Commission has invited the Member States to present national strategies for Roma inclusion in the National Reform Programs so these strategies might contribute to meeting the headline target for reducing poverty and social exclusion.

Homelessness and housing deprivation are perhaps the most extreme examples of poverty and social exclusion in society today. Although access to affordable accommodation is a fundamental need and right, guaranteeing this right still represents a significant challenge in a several Member States. Developing appropriate and integrated responses, both to prevent and tackle homelessness, shall remain an important element of the EU’s social inclusion strategy.

5.4.6 External Dimensions

Finally, efforts to combat poverty are a key part of the external dimension of EU policies and, in particular, its employment and social policies. Since the adoption of the Millennium Development Goals, and together with international organizations, the EU has been increasingly supporting developing countries in their efforts to alleviate poverty, in particular through access to primary education, water or health, the promotion of decent work but also by means of trade policy, and by reinforcing democracy and good governance. The promotion of decent work for all plays an essential role in reducing poverty and enhancing social inclusion. The Commission has to further develop policy dialogue with the EU's strategic partners and in international fora, notably the ILO, G20, G8, and the UN.

In the framework of the EU enlargement process and within the European Neighborhood Policy, the Commission will also ensure that the objectives of this Platform are taken up in the relevant countries.

5.5 Conclusion

It is worldwide known that social exclusion is an extremely difficult phenomenon that many European countries have to handle with it and especially those which are most hit of the economic crisis Spain, Italy, Greece and Portugal.

The governance from it’s of them have a specific plan in order to overcome this difficult situation that leave the public out of the rest society. For example, the governance of Spain has decided for the future to take some measures such as to promote companies’ support for projects concerning the active inclusion of the most vulnerable. This will entail supporting the creation of channels and networks that foster cooperation between the Administration, the business sector and organizations that work with groups at risk of social exclusion. On the other hand, in the plan of Greece the first position get the group of youth as is the one of the most vulnerable in the country. So, Greek governance’s goal is to support young people by creating more job vacancies in order to get in the labor market and not staying out because of the economic crisis. Furthermore, despite the youth a general goal of the Greece is to provide to its citizens free health care which mean without require hospital admission.

To sum up, social inclusion programs are extremely important for each one of the South European countries and for this reason its governance must observe all the goals of the programs for fighting and overcoming the phenomenon of social exclusion.

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