Social Inclusion Report

Social Inclusion Policy

Sustainable Governance Indicators 2020

SGI Sustainable Governance Indicators

BertelsmannStiftung

Indicator

Social Inclusion Policy

Question

To what extent does social policy prevent exclusion and decoupling from society?

41 OECD and EU countries are sorted according to their performance on a scale from 10 (best) to 1 (lowest). This scale is tied to four qualitative evaluation levels.

10-9 = Policies very effectively enable societal inclusion and ensure equal opportunities.

8-6 = For the most part, policies enable societal inclusion effectively and ensure equal opportunities.

5-3 = For the most part, policies fail to prevent societal exclusion effectively and ensure equal opportunities.

2-1 = Policies exacerbate unequal opportunities and exclusion from society.

Luxembourg

Score 9

Luxembourg is a very prosperous country. Much of the population, including the middle class, lives in comparatively good conditions. The standard of living is often higher than in all other European countries. The value of statutory pensions ranges up to €8,525 per month.

However, inequality is also increasing, as reported in Caritas' 13th Social Almanac, published in October 2019. Poverty rates are rising, and the share of the population that can be regarded as the working poor is growing. Salaries are too low, in part due to high land prices and rental rates.

However, those with high salaries do well in the country. Social contributions are limited to five times the minimum wage. For instance, someone who earns 10 times the minimum wage pays only 4% of their salary, rather than 8%, into the pension fund.

Other current statistics according to Eurostat and STATEC include:

• General poverty rate: 18.7% (10 years ago: 13.5%).

• Poverty risk of children: 22.8% (10 years ago: 19.9%).

• Gini coefficient before transfers: 50.2 (10 years ago: 44.0).

A new housing allowance was introduced in 2016 and launched in 2018. This will benefit around 35,000 low-income households, providing a monthly subsidy of a maximum of €300 per family household. The allowance acknowledges the importance of social housing, especially in providing affordable rental properties for low-income people.

Nevertheless, the provision of social housing remains below the European average. Some municipalities have decided to impose a special tax on unoccupied houses to create disincentives to leaving spaces empty, and to encourage existing residential property to be rented or sold. In addition to local programs, public social housing companies (Fonds du Logement, SNHBM and other social associations) are intensifying their activities. Following an audit by the authorities, the National Housing Fund was reformed in 2017, with the intention of establishing effective quality control measures.

Citation:
Caritas: Sozialalmanach, Luxembourg 2019. Le "Sozialalmanach" est publié tous les ans au préalable du discours du Premier ministre sur l'état de la nation et sert d'instrument de dialogue avec les décideurs politiques, la société civile et l'économie.

Norway

Score 9

Like other Scandinavian countries, Norway is a relatively equitable society. Poverty rates are among the lowest in the world. The Norwegian government has assumed responsibility for supporting the standard of living of disadvantaged and vulnerable groups. As a result, expenditures for social policy are well above the EU average. Government-provided social insurance is strong in almost all areas. Family-support expenditures exceed 3% of GDP, in the form of child allowances, paid-leave arrangements and childcare. Social-insurance spending related to work incapacity (disability, sickness and occupational injury benefits) is also generous.

As Norway's population is becoming increasingly heterogeneous, debates regarding the rules governing access to welfare benefits, the level of such benefits, and whether it should be possible to export benefits have grown. Increased immigration and unemployment rates are also likely to increase inequalities which, though having increased somewhat in the last decade, remain low compared to many other European countries, the United States and China.

Slovenia

Score 9

Slovenia has a strong tradition of social inclusion, with its Gini coefficient being the second lowest among EU member countries. In the past, social policy focused on providing benefits to the elderly and to families with children. After the onset of the economic crisis, however, social disparities widened. The Fiscal Balance Act, adopted by the Janša government in May 2012, cut several social-benefit programs and reduced the generosity of social benefits for the unemployed. During the period under review, the Šarec government eliminated the last remaining austerity measures in the area of social security benefits and increased a broad range of social benefits. In December 2018, the National Assembly approved a phased ten percent increase in the minimum wage from €638 per month after tax to €667 in January 2019, with a scheduled increase to €700 in January 2020. In addition, some bonuses which are currently included as part of the minimum wage will be excluded in 2020 and must be paid on top. In such cases, they effectively further increase the lowest wages.

Canada

Score 8

Most social policies, such as income transfers (e.g., child benefits, pensions) and educational policies, support societal inclusion and ensure equal opportunities. A Center for the Study of Living Standards (CSLS) study found that Canada's after-tax income Gini coefficient, which measures inequality after taxes and transfers, was 23.7% lower than the market-income Gini coefficient before taxes and transfers. The study also found that while the market Gini coefficient increased by 19.4% between 1981 and 2010, almost half of the increased market-income inequality was offset by changes in the transfer and tax system. Based on this, it appears that Canada's redistribution policies reduce market-income inequality to a considerable degree.

However, for certain groups, notably recent immigrants and Indigenous Canadians, social policy has not prevented social exclusion. For immigrants, social disparities tend to diminish with the second generation, but persistent gaps remain for the Indigenous population. Despite the Trudeau government's promises to improve economic outcomes for Indigenous peoples, progress has proved elusive. Indigenous children are more than twice as likely as non-Indigenous children to live in poverty. Using figures from the 2016 census, a Canadian Press review found that four out of every five Aboriginal reserves have median incomes that fall below the poverty line.

In 2018, the federal government released its first-ever poverty-reduction strategy, which stressed the importance of social inclusion and established a target for poverty reduction. Passed into law in 2019, the Poverty Reduction Act established these targets, Canada's official poverty line and an advisory council on this issue. As reported by the update on the poverty strategy released in 2019 (ESDC, 2019), the country is currently ahead of schedule in reaching its target of a 20% reduction in poverty, with this goal appearing likely in 2019 as opposed to 2020. However, this lower poverty rate excludes Indigenous peoples living on reserves, where child poverty rates are around 51%.

Citation:
Andrew Sharpe and Evan Capeluck (2012) "The Impact of Redistribution on Income Inequality in Canada and the Provinces, 1981-2010," CSLS Research Report 2012-08, September. http://www.csls.ca/reports/csls2012 -08.pdf

Jeffrey G. Reitz, Heather Zhang, and Naoko Hawkins, 2011,"Comparisons of the success of racial minority immigrant offspring in the United States, Canada and Australia," Social Science Research 40, 1051-1066.

David Macdonald Daniel Wilson (2016), Shameful Neglect: Indigenous Child Poverty in Canada, Canadian Center for Policy Alternatives, available from https://www.policyalternatives.ca/publications/reports/shameful-neglect.
Statistics Canada (2013), Education in Canada: Attainment, Field of Study and Location of Study, National Household Survey 2011 Analytical document 99-012-X

Employment and Social Development Canada (2018) “Opportunity for All: Canada’s First Poverty Reduction Strategy” file:///C:/Users/Andrew/Downloads/PRSreport_English_SEPT_final-REVISED%20(4).pdf

Employment and Social Development Canada (2019) Canada’s Poverty Reduction Strategy: An Update,” file:///C:/Users/Andrew%20Sharpe/Downloads/2050-Layout-EN_(2)%20(1).pdf

Denmark

Score 8

Inequality and poverty are low by international comparison, but have been increasing in recent years. While reforms of various welfare benefits have increased work incentives, they have also reduced incomes for some groups.

Employment rates are high for men and women, but a distinguishing feature of the welfare model is that most people who are not in employment are entitled to some form of social transfer. Somewhat simplified, the debate is split between those arguing that the welfare state significantly undermines work incentives and those arguing that most unemployed people are unable to work due to various issues (e.g., social problems or a lack of qualifications) that make it difficult/impossible for them to find jobs.

Most social transfers have recently been reformed with a greater focus on employment. The aim of these reforms is to strengthen the incentive to work, but it may result in poverty for those failing or unable to respond to these incentives. The reform of the disability pension scheme implies that the disability pension cannot be granted to individuals below the age of 40 (except for cases of severe or permanent loss of work capability). Instead, the focus has shifted to using and developing an individual’s remaining work capabilities. Likewise, the social assistance scheme has been reformed with a particular focus on improving the educational attainment of young workers (people below the age of 30). For other age groups, the system now offers more flexibility and individualized solutions. Eligibility for social assistance depends on both a residence requirement (with immigrants needing to have been resident in Denmark for nine out of the last 10 years) and a work requirement (225 hours paid work within the last year). Moreover, there is an upper cap on total support (social assistance, housing supplement, child supplement). Immigrants not satisfying the residence requirement receive the lower so-called introduction benefit.

Finally, assessed in terms of life satisfaction, Denmark scores very well in various international comparisons, sometimes ranking as the happiest country in the world.

The new government aims to improve welfare arrangements, and strengthen measures to tackle increasing inequality and especially child poverty. A temporary benefit supplement has been introduced for families with children that are affected by the upper cap on total support or receive the “integration” benefit. Moreover, a budget increase for municipalities and regions to fund various welfare and educational programs has been announced.

Citation:
John Campbell, “Note to Denmark: Don’t Change a Thing,” http://www.dartmouth.edu/~vox/0506/0417/denmark.html (accessed 19 April 2013).

“Det betyder kontanthjælpsreformen,” http://www.stakato.dk/det-betyder-kontanthjaelpsreformen/ (accessed 19 April 2013).

Ekspertudvalg om fattigdom, 2013, En dansk fattigdomsgrænse – analyser og forslag til opgørelsesmetoder, København.

“Stort fald i antal modtagere af kontanthjælpsydelser,” https://www.dst.dk/da/Statistik/nyt/NytHtml?cid=25774 (Accessed 7 November 2018).

“10 Most Happy Countries Around the World,” https://www.wonderslist.com/10-most-happy-countries-in-the-world/ (accessed 7 November 2018).

“Politisk forståelse mellem Socialdemokratiet, Radikale Enstre, SF og Enhedslisten: Retfærdig retning for Danmark,”https://ufm.dk/ministeriet/regeringsgrundlag-vision-og-strategier/regeringen-mette-frederiksens-forstaelsespapir (accessed 15 October 2019).

Germany

Score 8

Germany has a mature and highly developed welfare state that guarantees a subsistence level of income to all citizens. The German social security system is historically based on the insurance model, supplemented by a need-oriented minimum income. There are a variety of minimum-income benefit schemes, including income support for unemployed (“Hartz IV”) and disabled people, an old-age minimum income, and assistance for asylum-seekers. The number of Hartz IV recipients is declining, having decreased from 4.362 million in 2017 to 4.141 in 2018 and 3.924 in 2019; thus, during the period under review, this figure fell below the 4 million mark for the first time in many years. This decline is all the more remarkable given the fact that many of the refugees who entered Germany since 2015 have newly entered the Hartz transfer system.

On 5 November 2019, the Constitutional Court issued a judgment concerning Hartz IV recipients. Under the current system, people who fail to fulfill certain conditions (e.g., proof of active job search) are subject to penalties. This principle follows the Hartz reforms’ principle of “assist and demand” (“fördern und fordern”). In extreme cases, recipients could lose up to 60% of their benefits, and repeat offenders could lose all their benefits for a maximum period of three months if they failed to attend a job interview, turned down employment or missed training opportunities. The ruling indicated that cutbacks of 60% or even 100% are unconstitutional. The judges emphasized that such reductions are unreasonable given that “the burden it entails seriously encroaches upon the minimum standard of living guaranteed by the fundamental rights.” Thus, a reduction of only 30% was deemed to be acceptable, and even this allowable only under strict conditions. The judgment thus reinforced benefit recipients’ social inclusion without abandoning the possibility of penalties completely.

Since 2015, Germany has had a national statutory minimum wage designed to increase and stabilize market incomes within the low-wage segment of the population. The minimum wage was raised to to €9.19 in 2019, and will be further increased to €9.35 in 2020. No massive job losses have as yet been noticeable.

In November 2019 the government decided to introduce a basic state pension. It aims at reducing poverty in old age, giving benefit recipients a better legal status as citizen and to increase the basic pension to an appropriate level (for details see P11).

The massive increase in the influx of asylum-seekers and refugees since 2015 has constituted an additional challenge to successful social inclusion. In recent years, however, public agencies, supported by civil society organizations, have been largely effective in managing these issues, and in promoting the social and labor-market integration of asylum-seekers. Integration of refugees into the German labor market has progressed better than expected, with about 40% already in employment by the autumn of 2019 (Tagesschau 2019).

Citation:
Statistisches Bundesamt (2019):
https://de.statista.com/statistik/daten/studie/1396/umfrage/leistungsempfaenger-von-arbeitslosengeld-ii-jahresdurchschnittswerte/

Tagesschau (2019):
https://www.tagesschau.de/wirtschaft/migration-arbeitsmarkt-101.html

https://de.statista.com/statistik/daten/studie/1396/umfrage/leistungsempfaenger-von-arbeitslosengeld-ii-jahresdurchschnittswerte/

https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/DE/2019/11/ls20191105_1bvl000716.html

Switzerland

Score 8

In contrast to many Western European countries such as Germany, Switzerland has recorded no major increase of income inequality over the past 20 years. The country has largely been successful at preventing poverty. This is due to an effective system of social assistance, in particular with regard to older generations. It is rare to fall into poverty after retirement. The main social insurance programs regulated on the federal level (addressing sickness, unemployment, accidents and old age) work effectively, are comparatively sustainable and provide a generous level of benefits. Social assistance is means-tested, consequently some stigma is attached to its receipt.

Life satisfaction is very high, income inequality is moderate and stagnant, the share of working poor in the population is small and gender inequality has been reduced substantially in recent years. Nonetheless, some problems and tensions relating to social inclusion are evident.

First, the transition to a knowledge-based service economy entails new social risks. These will be faced most by workers unable to cope with the challenges of this new economy. These vulnerable workers include young people who lack either the cognitive or psychological resources to obtain sufficient training and begin a career, single mothers who are unable to finish vocational training, highly skilled female employees who cannot reconcile work and family, and persons (typically women) who must care for elderly relatives. Like most continental welfare states, Switzerland has not sufficiently reformed the welfare system to address the challenges of a service-based economy. There is, however, considerable variance between local communities in the degree to which they address these challenges.

Second, tensions between Swiss citizens and foreigners over the benefits provided by the welfare state, as well as their financing, are increasing. In October 2019, the unemployment rate of foreign workers was 2.4 times higher than the unemployment rate of Swiss workers. The share of recipients of social assistance was 2.3% for Swiss nationals and 6.3% for foreign nationals (2017). The share of social assistance recipients varies strongly by national origin. It is highest among non-EU citizens. On average, EU/EFTA citizens have a slightly higher share than Swiss citizens (3.1%), while 12.5% of non-EU foreigners rely on social assistance. It should be noted that unemployment and poverty is most pronounced among low-skilled workers, where immigrants are over-represented. At the same time, highly skilled foreign employees subsidize a Swiss welfare state that benefits low-skilled foreign workers and middle-class Swiss workers. For example, citizens from EU/EFTA countries pay 25% of all contributions to the first pillar of the pension system (AHV), while they receive only 15% of all AHV-spending.

Also, some native workers view the growing population of foreign workers as a burden to infrastructure (e.g., railways and highways), as increasing competition on the housing market, and as tightening competition for highly paid and desirable jobs. This state of affairs has fueled a number of conflicts, sparking tensions and frustration on all sides. To date, there has been little constructive discussion and search for solutions within Swiss society. Instead, right-wing populism has increased in recent years, albeit the nation’s largest political party, the right-wing populist Swiss People’s Party (SVP) seems to have reached a ceiling as indicated by its loss of votes in the general election of October 2019 and the failures of their projects in recent popular votes.

Citation:
https://www.bfs.admin.ch/bfs/de/home/statistiken/soziale-sicherheit/sozialhilfe.assetdetail.6546140.html

BSV (Bundesamt für Sozialversicherungen), 2017: Faktenblatt – Auswirkungen der Personenfreizügigkeit EU/EFTA auf Sozialversicherungen und Sozialhilfe, available at: http://www.bsv.admin.ch/themen/internationales/aktuell/index.html?lang=de

Bundesrat 2017: Kostenentwicklung in der Sozialhilfe. Bericht des Bundesrates
in Erfüllung der Postulate 14.3892 Sozialdemokratische Fraktion und 14.3915 Bruderer Wyss vom 25. September 2014

Austria

Score 7

Austria’s society and economy are rather inclusive, at least for those who are Austrian citizens. The Austrian labor market is nevertheless not as open as it could be. For those who are not fully integrated, especially younger, less-educated persons and foreigners (particularly non-EU citizens), times have become harder. The global and European financial crises affected Austria less than most other countries due to effective counter-cyclical policies. Nevertheless, competition within the rather well-protected system of employment has become significantly tougher – even after unemployment started to decline in 2017, as in most EU member states.

Outside the labor market, unequal outcomes within the education system and the remnants of gender inequality perpetuate some problems of inclusiveness. An additional challenge is the situation of migrants, political asylum-seekers and refugees that poured into the country in high numbers during 2015. Austrian society and the political system are facing a very specific cross-pressure: to integrate the newcomers and to defend the prerogatives of Austrian citizens.

Social divides continue to exist along generational, educational, citizenship and gender cleavages. Moreover, governments at the national, provincial and municipal levels have shown a decreasing ability to counter these trends, as their policy flexibility has been undermined by debt and low revenues. Income inequality has persistently risen in recent years, with the richest quintile growing always richer and the poorest quintile growing poorer. The income differential between men and women is also widening: Correcting for part-time work, women earn around 13% less than men. The number of people living in poverty has remained stable over the last few years. Among others, families with three or more children are vulnerable to poverty or material deprivation.

According to recent OECD data, the distribution of wealth in Austria has grown increasingly more unequal in recent years. According to the OECD, efforts for fiscal consolidation after the crisis have contributed to an ever-more unequal distribution of wealth, resulting in a dire outlook for balanced future economic growth.

During the period under review, the prospect of gender quotas for management positions in the business sector was debated. Advocates of the idea argued it would help women access the most attractive and best-paid positions in the economy. One specific aspect of gender inequality that has changed over a longer period and became most visible in the September 2019 parliamentary elections, the percentage of women in the National Council, has become permanently higher and has never been as high as in 2019. Other indicators (like the percentage of women in leading corporate positions) demonstrate that gender equality is still not as it could be. But as the situation in Austrian universities – with an ongoing increase of women not only among students but also among faculty - indicates that the long-term chances of improving gender equality in general will also have an impact on the percentage of women in leading management positions.

The weak point in Austria's rather inclusive social system is the absence of a consistent migration policy. In the aftermath of the quantitatively significant influx of non-EU citizens in 2015, Austrian society and politics remain paralyzed between the mantra "we are not an immigration country" and the reality of migration. There is no convincing and clear policy answer the question "who is welcome in Austria?" Combined with an anti-Islamic sentiment, which exists among some segments of Austrian society, non-(EU) Europeans and especially Muslims are less integrated, despite the need to attract more employees to deal with labor shortages in some economic sectors (e.g., in tourism). The (to some extent xenophobic) discourse following the (perceived) migration crisis of 2015 has made it harder to favor a more inclusive migration policy.

The ÖVP-FPÖ government even tried to change the social status of EU citizens working in Austria using the rules of the European Single Market. By linking social benefits (e.g., money for children) to where EU citizens live (and to not where they work), the income situation of people, especially women from neighboring countries, working in hospitals or in other care capacities would worsen. The European Commission has started a procedure which could correct this government policy.

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Poverty rates: http://www.armutskonferenz.at/armut-in-oesterreich/aktuelle-armuts-und-verteilungszahlen.html

Finland

Score 7

The Finnish constitution safeguards basic economic, social and educational rights for all people, with these rights guaranteed both by the state and by municipal authorities. However, reality does not entirely measure up to this ideal. While social policy largely prevents poverty and the income-redistribution system has proven to be one of the most efficient in the European Union, pockets of relative poverty and social exclusion still prevail. Furthermore, inequalities in well-being exist between regions and municipalities, depending on demographic composition and economic strength. In very general terms, the northeastern part of Finland is characterized by higher levels of unemployment and ill health han the southwestern part of the country.

In terms of life satisfaction and gender equality, the government has embarked on a number of programs to improve its performance. The Act on Equality between Women and Men was passed in 1986 and gender discrimination is prohibited under additional legislation. Despite this legislation, inequalities between men and women prevail, especially in the workplace. The government has placed a particular emphasis on programs for at-risk youth from 15 to 17 years old who experience social exclusion, as well as on programs to create equal opportunities for disabled individuals. Immigrants are another group that faces social exclusion, especially due to poor integration in the labor market. The strong increase in the number of incoming immigrants in 2016 and 2017 added to these difficulties. Furthermore, the growing number of people (especially older people) living alone, and widespread perceptions of loneliness among children and young people have gained attention. Improving the inclusion in society of vulnerable groups and the design of services to prevent loneliness have become core issues within the social inclusion agenda.

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"Socially Sustainable Finland 2020. Strategy for Social and Health Policy," Ministry of Social Affairs and Health, Helsinki, 2010.

Blomgren, Jenni. 2018. Maakuntien välillä on suuret terveyserot, ja se näkyy Kelan etuuksissahttp," http://tutkimusblogi.kela.fi/arkisto/4743

France

Score 7

By international and European standards, the French welfare state is generous and covers all possible dimensions affecting collective and individual welfare, not only of citizens but also of foreign residents. Poverty remains at a comparatively low level. Therefore, programs providing minimum incomes, health protection, and support to the poor and to families are satisfactory, effectively supporting social inclusion. The challenges for France at a time of economic decline and unemployment are, first, to provide sufficient funding for the costly system without undermining competitiveness with too-high levels of social contributions (which demands an overhaul of the tax and contribution system as a whole); and second, to recalibrate the balance of solidarity and individual responsibility, for instance by introducing more incentives for the jobless to search for employment, and by reducing social contributions on low wages (beginning in September 2019, employers no longer pay contributions up to the point of the minimum salary fixed by the state)

The performance of the welfare state is less convincing when it comes to equal opportunities. The percentage of young people in neither education nor employment is persistently high, pointing to the difficulties in transitioning between the education system and the labor market. Furthermore, some groups or territorial units are discriminated against and marginalized. So-called second-generation immigrants, especially those living in the suburbs, as well as less vocal groups in declining rural regions, feel excluded from broader French society. These populations often experience poor education and training, and high unemployment and poverty rates. In addition to the measures targeting elementary schools in socially disadvantaged areas, the Macron administration has developed a strategy emphasizing training and work placement rather than financial support – that is, focusing on capabilities rather than assistance. The number of young students opting for an apprenticeship training has shown an encouraging increase.

Iceland

Score 7

From the mid-1990s to 2008, income inequality in Icelandic society increased dramatically. This development was driven by a regressive tax policy, which in real terms reduced the income threshold at which households are exempt from paying income tax, and a rapid increase in capital income. High inflation further increased the tax burden of low-income wage earners, although the rate of inflation fell to around 2% in early 2014 and is now around 3%. The left-wing cabinet of 2009 – 2013 made the tax system more progressive by imposing the smallest tax increases on the lowest income groups. Consequently, according to Statistics Iceland (which failed to publish any information on income distribution until after the crash of 2008), the Gini coefficient for Iceland, excluding capital gains, rose from 24 in 2004 to 30 in 2009, before falling back to 25 in 2015 and 24 in 2016. Including capital gains, however, the Gini index for total disposable income in Iceland rose by one point a year from the mid-1990s onward until the crash of 2008, an unprecedented development (Gylfason, 2015, based on data from Internal Revenue Directorate; Ólafsson and Kristjánsson, 2013). Little is still known about the distribution of wealth and whether it became more skewed after the 2008 crash. The huge amount of hidden household financial wealth in tax havens, equivalent to 10% of world GDP in 2008 according to Zucman (2015), casts doubt on official estimates of income and wealth inequality.

The Organization of Disabled in Iceland (Öryrkjabandalagið) has argued for years that their members are being left behind as the economy recovers and wages rise. Significant cuts in public expenditure followed the 2008 economic collapse. For example, pensions and social reimbursements were cut, and have not yet been fully restored to their former level. In October 2016, just before the elections, the government announced an increase in pensions to the same level as minimum wages in 2018. In their September 2017 budget proposition, the government announced a further increase in pensions and social reimbursements. The result was a modest increase, far below recent wage increases. In the state budget for 2020, presented in autumn 2019, pensions and social reimbursements continue to lag behind wages.

After the crash, many families were dependent on food aid offered by volunteer organizations, a phenomenon not seen in Iceland for decades. Even so, Iceland performs quite well in international poverty comparisons, suggesting that social policies after the economic crisis were reasonably successful. For some households, however, the economic situation remains difficult but is gradually improving. In the past, young Icelanders could take housing for granted. However, house prices have become unaffordable for many because residential construction in the Reykjavík area has not kept up with demand and the tremendous influx of tourists has led to a substantial increase in rents as well as to the conversion of family dwellings to rental units for tourists. An ongoing effort by the city authorities in Reykjavík to build more housing is intended to remedy this situation by lowering house prices and rent costs over the coming years.

Citation:
Gylfason, Thorvaldur (2015), "Social Capital, Inequality, and Economic Crisis," Challenge, July.

Internal Revenue Directorate (2016), http://www.rsk.is/. Accessed 21 December 2018.

OECD website, http://www.oecd.org/els/soc/income-distribution-database.htm. Accessed 21 December 2018.

Ólafsson, Stefán, and Arnaldur Sölvi Kristjánsson (2013), "Income Inequality in Boom and Bust: A Tale from Iceland's Bubble Economy," in Gornick, Janet C., and Markus Jäntti (eds.), Income Inequality Economic Disparities and the Middle Class in Affluent Countries, Stanford University Press, Palo Alto, 416-438.

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Zucman, Gabriel (2015), The Hidden Wealth of Nations: The Scourge of Tax Havens. Chicago and London, England: University of Chicago Press.

Ireland

Score 7

During the recession, Irish social and economic policy continued to place a high priority on poverty reduction. The poorest groups in society were protected from the worst effects of the recession. Although the rise in the unemployment rate and the fall in the employment rate drastically reduced household income for many, the real value of the principal social welfare payments has been protected in successive budgets since 2008 over a period when the take-home pay of those in employment fell significantly. Public spending on social protection rose to a peak of 11.0% of GDP in 2011, but had fallen to 9.4% in 2015 as economic growth resumed and the unemployment rate fell. However, the aging population structure continues to push up the cost of the state pension scheme.

Recent budgets have made no significant changes to the structure of the system of social protection. The most recent published results of the EU Survey on Income and Living Conditions show that while the incidence of poverty rose from 14.1% in 2009 to 16.5% in 2012, it fell to 15.2% in 2013. However, the incidence of consistent poverty rose from 5.6% in 2009 to 7.7% in 2012 and continued to rise, to 8.2%, in 2013.

The incidence of homelessness is on the rise in the country's principal cities and towns. The virtual cessation of residential construction after the 2008 crash combined with a recovery in house prices and rents since 2013 have made affordable housing increasingly difficult to obtain, especially in the Dublin area. The government responded to the growing public concern about these problems by increasing the 2016 budget allocation to social housing and asking the National Asset Management Agency to rise to the challenge of providing 20,000 new residential units from its resources by 2020. The 2020 budget provided capital funding of over €1.1 billion to support the delivery of over 11,000 news social houses in 2020 with the expectation that a further 12,000 will be delivered in 2021.The budgetary provisions show that while progress has been made in delivering more social housing, the outcomes are still significantly below the 20,000 estimate that is required.

The unavailability of cheap housing, high and rising levels of rents, and growing homelessness have demonstrated that the housing crisis needs to be addressed by more inspired governmental and local authority initiatives, including the provision of inexpensive land zoned for building and changes to the permitted height of urban apartment dwellings.

In the 2016 budget, first steps were taken to restore the funds available for the education and support of people with intellectual disabilities that had been cut during the crisis period.

Citation:
Department of Finance, Budget 2020.

Malta

Score 7

Malta has a consolidated social benefits system that supports those with low incomes; in addition, healthcare and education are available free of charge. A failure to adjust pension and welfare benefit levels previous to 2013 had increased the risk of poverty among the unemployed and the elderly, significantly increasing their risk of social exclusion. To this end, budgetary measures have been introduced in recent years with the aim of raising benefit levels within the lower pension band, while also creating incentives to bring people back to work. The 2020 budget reiterated this stance, and included a significant rise in pensions as well as a range of allowances and bonuses aimed at ameliorating the conditions of disadvantaged groups.

Social security expenditures totaled €512 million during the first half of 2019, 3% higher than the expenditure for the same period in 2018. Malta has the fifth lowest in-work poverty rate in the EU, at 5.2%. However between 2012 and 2017, the number of employed persons at risk of in-work poverty increased by 13.5%, though in the same period the number of employees suffering from material and social deprivation decreased significantly from 15.4% in 2014 to 4.3% in 2017. Currently, 19% of the population is the verge of falling into poverty or social exclusion, down from 20%. The 2019 Commission Staff Working Document noted that poverty and social exclusion risks are declining but remain significant for children, people with disabilities, the elderly and non-EU migrants. Women are more likely to fall into the poverty trap than men. Despite low unemployment rates, Malta's economic-inactivity rate remains high among those with mental-health problems, women and the elderly, affecting these populations' ability to access government benefits. Rising housing prices are increasingly regarded as a source of concern, with the increasing demand for rental accommodation directly affecting lower-income Maltese tenants. To this end, new rent regulations will come into force in 2020 with the aim of creating appropriate safeguards for renters. The 2020 budget introduced a range of measures to ensure that vulnerable strata have adequate access to housing options. This includes subsidies to help young people acquire their first property, and subsidies for rental accommodation. Data on the number of homeless individuals in

Malta remain absent or incomplete, but estimates indicate that there could be around 300 individuals, mainly foreigners, living in this condition. Food price increases have been double the EU average, and the number of families making use of food banks has increased.

The number of disabled people in the workforce has increased significantly since a new enforcement policy was implemented in 2017, although there remains room for improvement. The 2020 budget also provides new and expanded financial support for disabled persons unable to work. Foreigners, and particularly migrants from outside the EU are also likely to be at the risk of poverty and social exclusion. The country's first migrant-integration strategy was launched at the end of 2017. Nonetheless, integration remains a key concern, particularly in localities with large non-EU migrant communities, where children of African parentage in particular face poverty. In a survey, fully 88% of sub-Saharan Africans stated that their wages were lower than those of their Maltese counterparts.

Several measures have been introduced over the last few years to address cross-cutting social problems. These include supplementary benefits for children, breakfast at school, free school transport, greater support for low-income working parents through the creation of after-school clubs for their children, fiscal incentives for people to invest in pensions programs, an annual bonus for senior citizens over the age of 75 and free public transport for the elderly. Malta's purchasing power is now 96% of the EU average.

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National Statistics Office (NSO) News Release 122/2019
Commission Staff Working Document – Country Report Malta 2019 SWD (2019) 1017 final p.5
The Malta Independent 26/07/2019 New rent regulations come into force as of January 2020; seeks stability in sector
The Malta Independent 08/02/2019 The hidden scandal: an estimated 300 people are homeless
Budget 2016 Speech (English) p. 31
Budget 2015 Speech (English) p. 49
Times of Malta 15/12/2017 Malta gets a migrant-integration strategy
Anna Borg ESPN Thematic Report on In-work poverty Malta 2019 p. 10
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Times of Malta 22/10/2018 Budget 2019 at a glance
Times of Malta 07/12/19 Food bank feeding four times more people than 19 years ago

Netherlands

Score 7

Income inequality in the Netherlands produces a score of between 0.28 and 0.29 on the Gini Index, and has not changed significantly since 2007. However, the difference between top-level incomes and lower end incomes has increased. Top salaries increased by 32% between 2010 and 2017, while lower end salaries increased by 13%. Consequently, the gap between the top and bottom incomes increased from a factor of 5.5 in 2010 to a factor of 6.2 in 2017. The gap is slightly lower when net incomes are compared, but is rising nevertheless. Interestingly, this pattern is even more visible in the incomes of women. While the incomes of the highest-earning women increased significantly, particularly for younger women, only one-quarter of all women are in full-time employment. Since 2016, of the country’s home-owning households, almost 1.4 million (32%) had mortgage debts higher than the market value of their house. This number is now rapidly declining due to a rise in house prices. The average age of first-time home buyers has increased due to precarious incomes; stricter loan regulations; increasing house prices and a shortage of new, affordable houses.

Gender-based income inequality is high. On average, personal incomes among men (€40,200) are much higher than personal incomes among women (€23,800). This gap is gradually closing among younger women, however.

Women still form a slight majority of people living in poverty. Half of all people living at or under the poverty level have a migrant background. Persons working as independent contractors within low-wage sectors constitute a relatively new at-risk group. Young people also appear to be at risk, as a combination of student debt, flexible employment with uncertain incomes, and rising housing prices has kept them living at their parents’ houses for longer than previous generations.

As care services increasingly take on a digital component, access is becoming increasingly problematic for a large group of citizens. While many people are able to take advantage of electronic services, a significant proportion of people experience problems due to the lack of personal contact or a failure to understand their options and opportunities. This includes students and young parents as well as elderly or uneducated people. Loneliness and a lack of social connection are emerging as serious concerns, not only among the elderly, but among young people as well, particularly students.

Compared to other EU member states, the number of Dutch households at risk of social exclusion or poverty is still low. But since 2008, the beginning of the economic crisis, poverty in the Netherlands has increased by one-third. Single-parent families, ethnic-minority families, migrants, divorcees and those dependent on social benefits are overrepresented in this poverty-exposed income bracket. Since 2014, the risk of poverty is declining faster among migrants than among the general population. Of young people under 18 years old, 17% were at risk of poverty and/or social exclusion. However, in big cities, such as The Hague and Amsterdam, with large immigrant communities, this proportion increases to one in five. However, the risk of poverty and social exclusion in the Netherlands as a whole is just 15% (comparable to Sweden only), which means that around 2.5 million people face relative poverty. It should also be noted that the poverty threshold in the Netherlands is far higher than in most other EU member states (with the exception of Luxembourg). Responsibility for poverty policy in the Netherlands is largely held by municipal governments. Given the budgetary side effects of other decentralization policies, there are clear signs of risk for poverty policy, both in terms of quality and accessibility.

Since 2015, municipalities have been responsible for assisting people with disabilities in finding suitable work. The number o f young persons with disabilities who have a job has increased by 9%, but their incomes have on average worsened due to a combination of low earnings and benefit cuts. Older people saw their opportunities for employment decrease under the new law. The policies remain complex and encourage cream-skimming practices, thereby excluding people in comparatively greater need of assistance. The same decentralized approach has been adopted for the implementation of the UN agreement on the rights of disabled people. A study of 47 Dutch municipalities showed that few had implementation plans in place, let alone inclusive policies.

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Poland

Score 7

Social inequality and exclusion have visibly declined since the early 2000s. This has partly been due to Poland’s strong economic performance. In addition, regional disparities have been mitigated through regional-development policies financed by EU structural funds. By raising family allowances and increasing the minimum wage, the PiS government has improved social inclusion. Moreover, it has been successful in reducing the high share of temporary employment contracts. In the service sector, the payment of social-insurance contributions has become obligatory.

However, experts have argued that the government's various social welfare and family allowance instruments do not interact well with one another, while the slight increase in the inflation rate has also negatively impacted on the financial situation of this group. In addition, the government's social housing program, the "Mieszkanie+," is well behind schedule. The postal service and railways are supposed to provide space and buildings that can be transformed into low-rent apartments. However, this has not yet worked out. A new program, which began operating in January 2019, provides free access to hospitals, education and other state institutions for people with special needs.

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Sweden

Score 7

An analysis of Sweden's social inclusion policy probably yields different results depending on whether it is conducted diachronically or synchronically. In the first approach, which observes Sweden over time, it is not difficult to see that social inclusion in some areas, particularly gender equality, works extremely well while other aspects of social inclusion are more problematic. Young people find it very difficult to find a job; large groups of immigrants are far from integrated into Swedish society (see Integration Policy); poverty is low, but increasing; the Gini coefficient measuring the distribution of wealth remains low but is rapidly increasing; and the "life satisfaction" index is fairly high but somewhat decreasing. Thus, the empirical data point to significant challenges in the areas of intergenerational justice and justice between native Swedes and immigrants.

If we compare Sweden with other countries, we find that recent developments challenge the country's historical position as a leader in the public provision of welfare through wealth redistribution and as a country with extremely low levels of poverty. Together, the data and recent developments suggest that Sweden is gradually losing its leading role in these respects and is today largely at par with other European countries in terms of its poverty levels and income distribution. If Sweden could previously boast an egalitarian and inclusive society, there is less justification to do so today. Reflecting on the 2014 general elections, Bo Rothstein concludes that "the days of Swedish exceptionalism are over." Not only does Sweden now have a strong anti-immigration party in its parliament, core data on Sweden's welfare state are moving toward levels found among comparable, average-performing countries. This pattern continues to hold true in 2019, not least after the general elections.

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United Kingdom

Score 7

A traditional system of social class has long been a feature of British society. Since 1997, successive governments have sought, through a variety of policy instruments and initiatives, to overcome these divisions and to promote social mobility and inclusion. In his short second term as prime minister, David Cameron followed a classic one-nation conservatism policy that aimed to make the United Kingdom "a place where a good life is in reach for everyone who is willing to work and do the right thing," which echoed the "welfare to work" policy approach of the previous coalition and Labour governments. His successor, Theresa May, followed this path by declaring her "mission to make Britain a country that works for everyone" in her first statement as prime minister in July 2016, and Boris Johnson has emphasized his "one-nation" Tory stance. It remains to be seen how this rhetoric will coagulate into social policy. However, one recent major social policy reforms – the introduction of Universal Credit, which aims to replace a series of targeted welfare payments with a single payment mechanism – has been beset by implementation difficulties.

However, while applauding a sharp reduction in child poverty and an increase in the enrollment rate of students from disadvantaged backgrounds in tertiary education, the Social Mobility and Child Poverty Commission's latest State of the Nation report also observed that "social mobility is stagnant." The report noted the persistence of divisions around various social criteria, including class, geography and race. Although the United Kingdom's Gini coefficient has fallen significantly – a common phenomenon after a grave recession – it remains relatively high compared to other OECD countries and the distribution of wealth has become more unequal. The youth unemployment rate (11.9%) is still almost three times that of the overall unemployment rate (4.0%). A recent policy innovation has been the creation of a social mobility index. Over a long-term perspective, the proportion of "NEETs" (people who are not in employment, education or training) is decreasing, although the rate has remained stable over the last year. It is still high in some of the less affluent cities. In addition, the average income of young people has started to lag behind the average income of other working-age population groups. A chronic shortage of affordable housing has further exacerbated the situation of low-income households in the more prosperous metropolitan areas across the southeast of England. This shortage has made it especially difficult for young people to get on to the housing ladder.

Despite persistent economic inequalities, the United Kingdom has a relatively good record in promoting the inclusion of disadvantaged groups and ethnic minorities, and also has a relatively good record on gender equality. There has been a discernible social shift against forms of discriminatory language or action, with a number of public figures being ostracized as a result of inappropriate comments. Legislation allowing same-sex marriage came into force in 2014 and a law allowing heterosexual civil partnerships was passed in 2019. While reservations regarding multiculturalism and anti-immigrant sentiments remain common, with some surfacing around Brexit, immigrants tend to be more socially integrated than in many other countries. Policy initiatives over several governments have contributed to a social climate in which discrimination is seen as unacceptable.

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/532793/Main_text_SFR22_2016.pdf

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https://data.oecd.org/emp/employment-rate-by-age-group.htm

https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/bulletins/youngpeoplenotineducationemploymentortrainingneet/august2019

Belgium

Score 6

According to the OECD, Belgian workers benefit from advantageous working conditions. Perhaps as a consequence of this, the “gilets jaunes” movement, so prominent in neighboring France, gained limited traction in Belgium. However, while salaried workers benefit from automatic wage indexation, the Michel government chose to limit wage increases to restore the competitiveness of Belgian workers, which met with significant resistance. Nevertheless, the impact of wage indexation on the share of employee compensation in GDP appears to be relatively limited (it stood at 49.2% in 2018 compared to 47.8% in the euro zone).

Belgium is also the only remaining EU member state to offer unemployment benefits that are potentially unlimited in time. Though both the Michel and previous Di Rupo governments have tightened these benefits, with potentially adverse consequences for a large number of people on welfare (De Brouwer et al., 2019). According to official state statistics, Belgium fares somewhat better than other EU countries in terms of income inequality. In addition, only 19.8% of Belgians were considered at risk of poverty in 2018, which is lower than the euro zone average of 21.5%.

Like in the rest of the OECD, however, popular resentment of income inequality, the lack of real wage growth and economic hardship is growing. This resentment contributed in part to four national strikes, and has led to the criticisms of immigration and globalization. In the May 2019 elections, populists gained significant vote shares, with the result of more fractionalized parliaments in all parts of the country.

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OECD better life initiative 2016: http://www.oecd.org/belgium/Better-Life-Initiative-country-note-Belgium.pdf

Cyprus

Score 6

The AROPE indicator (at risk of poverty or social exclusion) further declined from 25.2% in 2017 to 23.9% in 2018. This approaches the 2008 – pre-crisis – rate of 23.3%. The population share at risk of poverty fell slightly to 17.4% from 15.7%, in 2017. The Gini coefficient was 29.1% compared to 30.8% in 2017. Adjustments to the social-welfare system aim at identifying problems and providing support to vulnerable groups. Combating social exclusion focuses on poverty risk, participation in the labor market, child and youth assistance, and adapting the sectoral institutions and mechanisms in order to render them more responsive to existing or emerging needs.

The major policy actions adopted in 2013 continued into 2018: restructuring public aid, targeted allowances and benefits, public sector employment quotas for persons with disabilities, and housing programs for young families and other needy populations. A guaranteed minimum income introduced in 2014 has assisted the more vulnerable groups. Regarding the high rate of persons not in education, employment or training (NEET), the European Commission characterized the results of recent efforts to address the issue as "modest".

The AROPE indicator for foreigners also improved in 2018, though it remains very high. It stood at 27.8% compared to 28.6% in 2017 for other EU nationals and 40% for non-EU citizens, compared to 21.1% for Cypriots. AROPE rates for persons over 65 improved compared to 2017 (23.5% compared to 24.6%) but remained higher than in 2016 (22.9%). Elderly women remain the group facing the highest risk: 25.9% in 2018 compared to 27.3% in 2017.

Citation:
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Czechia

Score 6

Due to a favorable employment picture and a still rather redistributive social policy, income inequality and poverty in Czechia remain among the lowest in the OECD and the European Union. However, the differences between regions and ethnic groups are relatively high, and have continued to increase. About half of the Roma population, which constitute an estimated 2% of the overall Czech population, suffer from social exclusion. A further pressing problem of social inclusion is the lack of affordable housing and the growing number of homeless people, with estimates of 200,000 not having their own home. A law on social housing in Czechia, requiring municipalities to provide adequate housing to those who lack it, was already under preparation during the Sobotka government (2013 – 2017). However, while the Babiš government has promised to address this issue, it has failed to do so. Another problem is the high number of people who cannot pay their personal debts. As of 2019, more than 700,000 people in Czechia faced legal obligations that extended to the confiscation of personal property and compulsory deductions from earnings due to their debts. Nearly a fifth of the population is affected. Some debtors have left the legal labor market due to these threats, which in turn reduces tax and social-insurance payments. A newly amended law, applicable from 1 July 2019, offers some relief for those with multiple court orders that they cannot be expected to honor.

Estonia

Score 6

In general terms, the Estonian welfare system resembles the liberal welfare model. Levels of poverty and inequality remain higher than the OECD average.

Since work-related income has significantly increased, the poverty of wage earners has decreased. Social transfers have not followed step with the wage increases, resulting in increased relative poverty levels among the retired, the unemployed and families dependent on social benefits. In the non-working population, poverty is highest among the elderly. There are also gender disparities in poverty indicators. The at-risk-of-poverty rate (after social transfers) is higher for women than men (23.3% for women and 18.4% for men), but poverty among men is deeper (the relative median at-risk-of-poverty gap was 18.9% for women and 26.9% for men).

Government policies have addressed some material deprivation issues through amendments to tax law. In 2018, the rise in the income tax threshold increased the net wage by 15% for low-wage earners. Yet, these measures do not address large regional disparities in average salaries. The absence of effective regional policy has accelerated the exodus of the working-age population from rural areas. This, in turn, puts an additional burden on families and makes the formulation of sound social policy all the more difficult.

Even though the social exclusion of ethnic minorities has decreased, partly owing to government integration programs, unemployment and poverty rates remain somewhat higher among minority groups. Subjective perceptions are also critical – compared to ethnic Estonians, the ethnic minority population perceives greater inequalities in opportunity in all life domains.

Citation:
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Italy

Score 6

The impact of the economic crisis on the incomes of a significant percentage of households and the high levels of unemployment – particularly among young people – have had important negative effects on social inclusion. The gap between the more protected sectors of the population and the less protected ones has increased. The traditional instruments of social protection (e.g., those guaranteeing unemployment benefits for workers with permanent labor contracts) do not cover a large part of the newly impoverished population, while new policies are only slowly being implemented.
In general, allowances for families with children are rather small, and do not compensate for the costs of raising a (large) family. The problem of poverty is thus particularly serious for young families, especially where only one adult is employed. Some of the pensions of the elderly are also extremely low.

The progressive tax system and a series of deductions and benefits for low-income individuals – which should have accomplished redistributive functions – have largely ceased to work in this direction. The system's redistributive efforts have been curtailed by the rise in tax rates and the erosion of benefits and deductions. Moreover, the system's redistributive effects fail to reach that part of the population, which earns less than the minimum taxable income. An effective poverty reduction policy would require larger and more effective instruments.

The ongoing economic crisis has exposed the weaknesses of Italy's social policy. The main social policy instrument used to mitigate and reduce social exclusion is pensions. Other instruments are not very effective, and Italian national standards are not very good. On average, local social programs in the north of the country can deliver benefits three times higher than those in the south. Italian family networks still constitute the most important though informal instrument of social welfare. The high percentage of home ownership helps protect many Italians from absolute poverty. Housing problems, which would be insurmountable for many young people, are to some extent mitigated by family rather than public support.

While previous governments adopted rather timid measures to deal with these problems, the first Conte government launched a much larger program called the “reddito di cittadinanza,” or citizens’ income. This program eliminates a variety of previously existing measures and provides a (variable) income to every person under a given economic threshold. For people able to work, the allowance is conditional upon the acceptance of a job proposed by employment centers. As of October 2019, out of 1.5 million applications, more than 950,000 had been accepted with an average monthly benefit of €482.
The rate of inclusion of women in positions of economic and political leadership has improved somewhat due to new rules requiring a more balanced representation of women in executive positions. Italy also performs better than the OECD average with regard to gender gaps in income (OECD 2019).

Citation:
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Lithuania

Score 6

The issue of social exclusion is a key challenge for Lithuania’s social policy. In 2016, 30.1% of the Lithuanian population was at risk of poverty and social exclusion. Families with many children, people living in rural areas, youth and disabled people, unemployed people and elderly people are the demographic groups with the highest poverty risk.

The Lithuanian authorities have set a goal of reducing the size of the population at risk of poverty or social exclusion to 814,000 individuals by 2020 (from 1.1 million in 2010). Although the number of persons at risk of poverty or social exclusion has declined somewhat, Lithuania still remains below its national target; in 2017, around 843,000 people were at risk of poverty or social exclusion (29.6% of the total population). Lithuania remains one of the most unequal countries in the EU, which is partially due to the limited ability of the existing social transfers to reduce poverty. Therefore, in its 2019 staff working document, the European Commission recommended addressing income inequality, poverty and social exclusion.

As anti-poverty measures, the government has increased the minimum monthly wage and the boosted the nontaxable income-tax threshold. In 2018, the Skvernelis government announced a series of social-policy measures that entailed additional funding of €483 million targeting pensioners, children and low-income families. Gitanas Nausėda, the newly elected president, recently announced a package of proposals for the parliament’s autumn 2019 session that included around €100 million in additional social security spending (mostly earmarked for pension and disability-benefit increases). Most of these were adopted by parliament along with the 2020 budget.

A mix of government interventions (general improvements to the business environment, active labor market measures, adequate education and training, cash social assistance, and social services targeted at the most vulnerable groups) is needed in order to ameliorate Lithuania’s remaining problems of poverty and social exclusion. The Lithuanian authorities have adopted a social-cohesion action plan for the 2014 to 2020 period. Emigration trends, with young working-age people leaving for jobs abroad and older family members staying in Lithuania to care for grandchildren, exacerbate the negative effects of social exclusion. However, as the country’s economy has grown at rates above the EU average, a reversal of migration trends has recently been observed.

Citation:
COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2019: https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-lithuania_en.pdf

New Zealand

Score 6

Social inequality is a growing concern in New Zealand. The income gap has been widening steadily: since 2015, the top 20% of New Zealand households have seen their median net worth increase about NZD 131,000 per year, whereas the net worth of the bottom 40% has failed to grow. As a result, the top 20% of New Zealand households collectively now hold about 70% of total household net worth.

The blame for New Zealand’s inequality has been put on the overheated housing market. According to the 2019 Demographia International Housing Affordability survey, house prices in New Zealand are among the most unaffordable in the world. Auckland was ranked as the seventh most unaffordable major city in the world – behind Hong Kong, Vancouver, Sydney, Melbourne, San Jose and Los Angeles. A study by the Ministry of Social Development published in 2018 reveals that New Zealand-wide, more than half of renting households receiving the Accommodation Supplement (benefit to people deemed unable to fully afford rent) are spending more than half their income on housing. The same report also shows that, after taking off the cost of housing, incomes for low-income families with children are still where they were in the 1980s. Alongside this, benefit rates for the unemployed and for sole parents have not kept pace with the cost of living, leading to high rates of child poverty.

The current Labour-led government has taken a number of steps to ease the housing crisis. In 2018, the administration under Jacinda Ardern launched the KiwiBuild policy, which targeted the construction of 100,000 affordable homes over 10 years, with 50% of these in Auckland. However, by mid-2019, the program had only delivered around 250 new homes and was subsequently scrapped in its original form. Instead, the government revealed alternative measures that include NZD 400 million of funding for ownership schemes such as rent-to-buy and shared equity. In addition, the deposit required for government-backed mortgages was reduced by half to 5%.

In August 2018, parliament passed the Overseas Investment Amendment Bill, which is designed to stop foreigners not intending to live in New Zealand from buying most types of homes. However, critics have pointed out that the policy is unlikely to make housing more affordable, given that overseas buyers make less than 3% of national house transfers. In terms of welfare, the new government established an Expert Advisory Group but has yet to implement many of its recommendations. Harsh benefit sanctions have been removed and a small increase in the rate paid has been announced but was not immediately delivered, leading to some disquiet by advocacy groups.

The Māori population is disproportionately affected by socioeconomic inequality. On average, working Māori earn NZD 140 less per week than the average New Zealander. Māori are working the same hours as the New Zealand average, but only 16% of Māori hold an advanced qualification (compared to 30% of the country’s workforce). The Labour government has been criticized for attempting to tackle these issues through universal development schemes rather than allocating funding to Māori-specific programs. For example, the government’s 2019 “well-being” budget aims to reduce child poverty without including specific Māori-targets – despite the fact that Māori children and youth are twice as likely to be in poverty than New Zealanders of European descent.

Citation:
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South Korea

Score 6

Though it has focused strongly on the issue of social inequality, the Moon administration has thus far failed to narrow the gap between rich and poor. On the contrary, income inequality has increased substantially in recent years, while transfer payments have had only a small effect on inequality. In fact, the Gini coefficient after social transfers is now one of the highest such figures in the OECD. It remains to be seen whether recent minimum-wage increases and higher social spending levels will have an appreciable effect; however, they have not as yet significantly reduced the number of the poor. Relative poverty remains a major problem, with the old-age poverty rate in particular among the OECD's worst. Almost half (47.7%) of the country's citizens aged over 65 currently live in relative poverty. In 2016, the poverty rate among Korea's elderly population was the highest in the OECD, at more than four times the OECD average of 12.1%. According to the OECD, Korea spends only 3% of its GDP on pensions, and about 11.1% of its GDP for social purposes overall; this is the third-lowest such rate in the OECD, with the figure being about half that of the group's average. At 34.6%, the gender-based wage gap is the largest in the OECD, and is almost three times the group's average. The South Korean tax and welfare systems are not designed to reduce inequality, and their capacity to prevent poverty is very limited given the low level of social-transfer payments. The Moon administration has begun increasing welfare spending in areas such as the basic pension.

Migration from North Korea has raised additional concerns about social inclusion, as these migrants tend to face considerable discrimination. There has been some improvement in terms of embracing multicultural families and providing support for migrant workers, but South Korea still has a long way to go before becoming a genuinely inclusive society.

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Spain

Score 6

Societal exclusion remains a problem for Spain. However, the population at risk of poverty or social exclusion (AROPE rate) stood at 26.1% in 2018 compared to 26.6% in 2017. Thus, the AROPE rate has now fallen below the 2010 figure, according to the Spanish statistical institute.

Those at a higher risk of marginalization include immigrants, unemployed youth and elderly people with minimal pensions. According to the Spanish statistical institute, child poverty in Spain (under 16 years old) is a particularly serious problem. In 2018, 28.8% of children were at risk of poverty or social exclusion. This included 26.2% of children who were at risk of poverty, 7.3% who lived in households with a low intensity of employment and 6.2% who endured severe material deprivation.

Finally, the share of employed people living under the poverty threshold is also very high. The country was given 24th place in the 2017 Social Justice Index. The high long-term poverty rate, along with the absence of an effective policy to lift people out of poverty, has already had negative effects on social coexistence. Seeking to address this situation in 2018, the government created a High Commissioner for the Fight against Childhood Poverty within the Prime Minister's Office aimed at defining joint lines of action to improve living conditions and opportunities for children living in Spain.

Nonetheless, Spain is on par with the OECD average in terms of welfare spending on pension, family, health and integration policies as a share of GDP. Moreover, the situation is better with regard to areas of discrimination not associated with poverty, particularly regarding LGBTI rights (see "Non-discrimination") and gender equality. In the PSOE-government 2018 – 2019, two-thirds of the cabinet ministers were women, while the WPS Index (Georgetown Institute for Women, Peace and Security) ranks Spain 15 out of 153 countries with regard to societal inclusion and security for women.

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Australia

Score 5

Australia has a mixed record on social inclusion. While successive governments have made considerable efforts to promote social policies that reduce social exclusion, the comparatively flexible labor market has probably been the most effective instrument with regard to ensuring social inclusion.

Despite a relatively unequal income distribution and other social-policy weaknesses, Australians are quite content with their lives. Life satisfaction in Australia is higher than in many other OECD countries, and almost as high as in the Scandinavian countries. Australian society offers ample employment and training opportunities for the younger generation.

Promoting social inclusion did not become an explicit policy goal at the federal level until the election of the Labor government in 2007. After coming into office in 2013, the conservative Abbott government reversed course and removed all references to social inclusion from policy documents. While Prime Minister Abbott did take personal responsibility for indigenous affairs, the dire situation of the indigenous population continues to be one of Australia's most pressing social issues. Life expectancy among indigenous Australians is approximately 10 years lower than the Australian average.

In December 2013, the minister for social services commissioned a review of the welfare system with the goal of identifying possible improvements and ensuring the system was sustainable, effective, coherent and encouraged people to work. The review recommended the adoption of an "investment approach" within Australia's social support system, which in turn would ideally reduce long-term reliance on welfare through targeted investments in benefit recipients. In response, in 2015 the government instituted the "Australian Priority Investment Approach to Welfare." To date, the main tangible outcome of this approach has been the AUD 96.1 million "Try, Test and Learn Fund," which is currently trialing new or innovative approaches to assist priority groups identified through data analysis as being at high risk of long-term welfare dependency.

There have been no other developments in social inclusion policy under the Morrison government, with the possible exception of a heightened emphasis on promoting employment among disadvantaged groups.

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Chile

Score 5

In terms of opportunity for upward mobility, Chile is still failing to overcome a long-lasting and widening social gap. For instance, considerable exclusion along ethnic lines and a large gap between the poor and the middle class remain. There is also little upward mobility within higher income groups. The middle class in general, and especially the lower-middle class, can be considered as highly vulnerable given the lack of support for unemployed people or those with health problems. Members of the middle classes tend to have accrued a high level of long-term indebtedness, while this population’s share in the national income is low even by Latin American standards. The country’s income distribution is highly unequal. Although GDP (2018) is about $298 billion and GDP per capita (2018) is about $15,900, nearly 70% of the population earns a monthly income of less than $800 (CLP 530,000). About half of the population earns less than $550 (CLP 380,000) per month. Furthermore, poverty rates among elderly people are disturbingly high. In general terms, political discussions and thus policy proposals on how to promote social inclusion and social mobility still tend to be characterized by profound ideological biases.

In August 2017, an important women’s-rights initiative decriminalizing abortion in three cases was approved by Congress after significant controversy. Today, women can opt for abortion in cases involving sexual assault, a nonviable pregnancy or a significant risk to the mother’s life. In November 2018, under Piñera’s government and after five years of debate, a Gender Identity Law was enacted. This allows people to change their name and sex beginning at the age of 14, and enables them to obtain a new ID card that reflects these changes.

In contrast to the trend observed in Latin America in recent years, and in violation of a mandate by the Inter-American Court of Human Rights, Chile has not yet passed a bill would legalize same-sex marriage. A measure on the issue was submitted to Congress by President Bachelet in 2017. Although President Piñera is opposed to granting this recognition, he has stated that he will respect the decision of the Inter-American Court of Human Rights. At present, the Chilean state recognizes same-sex couples only in the form of civil union, a legal status that has been available to heterosexual and homosexual couples since 2015.

The reforms introduced by the Bachelet government (in the realms of taxation, education and labor) were expected to have substantial pro-inclusionary effects, but their potential impact has yet to be evident. The social crisis and mass protests beginning in October 2019 prompted the government to introduce several reform proposals, including a 20% increase in the basic solidarity pension scheme, which provides entitlements for people who do not otherwise have a pension, from $147 to $175 per month), the creation of a health insurance plan protecting families forced to pay for expensive medical treatments, and the creation of municipal-level solidarity funds intended to support the most vulnerable communities. The reform proposals were broadly perceived as patches rather than as any substantial step toward a more equitable social system. For this reason, mass mobilizations kept rising, culminating on October 25th in the largest protest the country had ever experienced. In Santiago alone, more than 1.2 million people took to the streets demanding social justice. Some political analysts and academics have argued that that a fundamental transformation of the dominant neoliberal model is needed in order for the country to recover social peace.

The Piñera administration had been unable to bring an end to the protests by the end of the period under review. As a consequence of the social crisis, the government announced it would tap the Economic and Social Stability Funds (Fondo de Estabilización Económica y Social) in order to finance a social agenda of about $600 million in 2020.

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Japan

Score 5

Japan has developed considerable problems with respect to income inequality and poverty over the past decade. Gender inequality also remains a serious issue. The country now ranks in the bottom half of the OECD with respect to its poverty rate, income distribution measured by the Gini coefficient, and levels of life satisfaction. Moreover, the World Economic Forum’s Global Gender Gap Report 2018 ranks Japan at a dismal 110th place out of 149 countries in terms of the social inclusion of women

The LDP-led government has placed a relatively strong focus on social-inclusion issues since 2016, addressing wide-ranging target groups such as people with disabilities and the elderly. While 2% of private sector jobs are to be provided to people with disabilities, the actual share sometimes seems to be overreported. The large population of socially withdrawn people (hikikomori), which may exceed 1 million people according to 2019 estimates, constitutes a major problem. Many of these individuals are adolescents who are not well integrated in the education and employment systems, but the problem has also spread to middle-aged people.

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Latvia

Score 5

While economic growth and stabilization is evidenced by some economic and social indicators (such as poverty rates), the depth of the 2008 – 2010 economic crisis and persistence of high unemployment rates had a lasting impact on citizens' welfare and quality of life, and contributed to higher emigration levels until recently. Emigration potential continues to be high, with only a small percentage of emigrants planning to return.

Latvia has one of the highest levels of income disparity among EU member states, with a Gini index of 35.6 in 2019, still one of the largest in the European Union. The situation has been exacerbated by policy decisions that favored rapid economic recovery at the cost of social-security provision for at-risk population groups.

Nevertheless, Latvia's economic-recovery package included policies to address poverty and unemployment. For example, the social safety net includes a guaranteed minimum income (GMI) program which is a well-targeted scheme addressing the needs of unemployed people and at-risk population groups. Since its introduction, the minimum GMI benefit has been increased and the responsibility for financing the program has been transferred from central to local government. This has undermined the program's financial sustainability and, as the economy has recovered, a gradual phase-out is being considered. However, the GMI benefit remains in place, although small in terms of coverage and financing. The benefit was €49.80 per month from 2013 until 2018 when it was increased to €53 per month (an increase to €64 forthcoming in 2020).

The high emigration rates serve as a major indicator of marginalization and the lack of opportunity. A total of 275,131 people left Latvia between 2006 and 2016. Moreover, recent research shows that the emigrants are on average better educated than those who have stayed. The high rate of emigration, coupled with a high mortality rate and low birth rate, has led to a 12% decline in population over the past 10 years, the second-largest decline in the European Union.

The government has taken additional steps to decrease inequality. For example, in 2017, a new progressive tax rate was adopted (effective in 2018), along with other measures aimed at reducing the tax burden on low-wage earners. Similarly, the government has approved a plan to increase the minimum retirement pension amount in 2020.

Nevertheless, even though living standards have improved overall, and expenditure on pensions and benefits continue to grow gradually, poverty and income equality remain high. Latvia's poverty rate is one of the highest in the European Union and OECD. In addition, regional disparities in income per capita are notable. While unemployment has been declining, it disproportionately affects the low-skilled and young. Social protection spending is below the European average, and areas such as housing and social exclusion are underfunded.

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Portugal

Score 5

Government social policies seeking to limit socioeconomic disparities do exist and have been partially successful in preventing poverty.

The 2011 – 2014 bailout led to the adoption of austerity measures that sought to reduce public expenditure on social inclusion and contributions to poverty-reduction programs. This led to an increase in the share of those at risk of poverty after social transfers, from 17.9% in 2010 to 19.5% in 2014 and 2015.

The Costa government stated its intention to turn the page on austerity, without relinquishing its approach to budgetary consolidation.

As such, there has been a gradual reversal in austerity measures imposed on pension and welfare payments. While in the previous SGI report, the situation had not yet returned to pre-bailout levels, in 2018 it did. The share of the population at risk of poverty after social transfers fell to 17.3% in 2018, one percentage point below the level for 2017. This is the lowest level since 1995 (covering the period for which Eurostat has data), and it is very close to the estimated EU and euro area averages of 16.9%. Even so, according to data from the National Statistical Institute, 2,223,000 people in Portugal, 21.6% of the population, were at risk of poverty and/or social exclusion in 2018. The data goes into much greater detail, but the general point is that poverty and social exclusion are serious problems in Portugal. It should also be noted that 20% of Portuguese workers earn the minimum monthly salary of €600, while the mean monthly salary is €943. The government recognizes the importance of this challenge. Its policies for combating social exclusion are grouped under the Programa Operacional Inclusão Social e Emprego (see official url in the citations).
While Portugal still has a long way to go in terms of eliminating the risk of social exclusion, the results for 2018 are very encouraging, not least as they have been achieved while ensuring fiscal responsibility.

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Slovakia

Score 5

The Slovak social-protection system covers standard social risks, however society and public policies remain rather non-inclusive. Due to the country’s relatively uniform income distribution, recently growing employment and a redistributive social policy, income inequality and the risk of poverty remain relatively low. However, there are substantial differences between regions, gender and ethnic groups. As measured by the regional Gini coefficient, Slovakia stands out as the country with the highest regional disparities in the European Union. Roma and children from disadvantaged families continue to be the groups most at risk of social exclusion. The poverty rate among Roma is more than six times higher than for the general population and also higher than in other societies with sizable Roma populations. Slovakia continues to segregate Roma children and children with disabilities in education. Although showing slight improvements, access to the labor market, especially for women and people living in the east and north, has remained a challenge. The main reasons for this phenomenon are the combination of low growth and job creation in the country’s poorer regions, as well as an insufficient infrastructure and incentives for regional labor mobility to job-rich areas. The underdeveloped long-term care system infringes upon the social inclusion of elderly and frail elderly people. The low availability of rental or social housing negatively affects social policies that target socially disadvantaged or excluded persons, or persons with disabilities.

In the period under review, little has been done to address these problems. In December 2018, the government eventually reintroduced compulsory nursery school for five year olds, beginning in September 2020, with a view to improving the integration of children from marginalized groups. Furthermore, a spending review by the Ministry of Finance paved the way for an overdue reform of the minimum income scheme in April 2019. However, while the reform increased benefit payments, the level of benefits remains inadequate.

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Turkey

Score 5

Turkey’s Gini coefficient increased from 38.6 in 2015 to 40.5 in 2017, before dropping slightly to 40.3 in 2018, indicating an increase in income inequality since 2015. Income distribution in Turkey continues to be among the OECD’s most unequal. According to the Turkish Statistical Institute, while the top 20% of earners received 47.6% of income, the bottom 20% of earners received 6.1% of total income. According to the president’s 2020 Annual Program, the poverty rate is 21.2% in Turkey.

According to the Turkish Statistical Institute, the poverty rate fell from 18.6% in 2006 to 13.9% in 2018 largely due to an increase in earnings and employment. However, following the currency crisis of 2018, unemployment has increased. The agriculture and construction sectors have been severely affected by the economic slowdown, and the youth unemployment rate has increased sharply. According to the World Bank (2018), poverty is particularly prevalent among people with lower educational attainment, workers in the informal sector, unpaid family careers and homemakers, and the elderly. Since the currency crisis has affected low income households more than most, the poverty rate must have been adversely influenced. Though any change in the poverty rate has not yet been reflected in official poverty statistics.

The government has developed an integrated social assistance system geared toward helping welfare recipients get out of poverty. Since 2011, responsibility for all central government social assistance benefits has been combined under the Ministry of Family and Social Policies. This ministry has worked to strengthen social inclusion. The government has been implementing an Integrated Social Assistance Information System, using a single proxy means test to target benefits more effectively. As of the end of 2018, about 17 million people had received social assistance. The number of households benefiting from a social assistance program provided by the Social Assistance and Solidarity Foundation increased from 3.1 million in 2017 to 3.4 million in 2018. Links between the social assistance system and active labor market policies implemented by ISKUR are being strengthened. From 2014 onward, the refugee crisis caused by the civil war in Syria has created an extra burden on the government's efforts to improve the quality of social inclusion. The government has prepared a harmonization strategy document and national action plan for 2018 − 2023, but is yet to publicize it. However, the General Directorate of Migration Administration, in collaboration with UNHCR and other international organizations, organizes workshops in various localities.

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Bulgaria

Score 4

Compared to other EU member states, Bulgaria achieves poor results in preventing exclusion and decoupling from society. Bulgaria also suffers from a relatively high level of inequality, as measured by the Gini coefficient. The latter has risen since 2015, reaching a record high in 2017, but decreasing slightly in 2018.

There is a general level of dissatisfaction with the state of society, which can be explained by the loss of subjective security during the transition to a market economy, unfavorable international comparisons in terms of material deprivation and poverty rates, and the failure of the judicial system to provide a sense of justice for citizens. On the more positive side, Bulgaria has shown the EU's fastest rate of decrease over the last decade in the proportion of the population living under conditions of severe material deprivation.

In general, Bulgaria's social policy is unsuccessful in including and integrating people with lower-than-secondary education, minorities and foreigners (mainly refugees or immigrants). The lack of regional differentiation in the level of the minimum wage and in social security thresholds, the prevailing limits to free business entry and exit, and the performance of the judiciary in the business sphere prevent people in the lowest quintile and in disadvantaged groups from being employed or starting a business. Additionally, there are no policies sufficiently tailored to the integration needs of specific groups such as minorities and immigrants. Another contributing factor to weak social inclusion is the fact that some political actors have a vested interest in keeping certain voter cohorts in a position of dependence, while other political actors bank on the rhetoric of exclusion and marginalization of certain minority groups.

Croatia

Score 4

Poverty and social exclusion are significant problems in Croatia. Whereas the income quintile share ratio (S80/S20) and the Gini coefficient broadly match the EU-28 average, over one million people (23.8% of the Croatian population) were at risk of poverty or social exclusion in 2018, three percentage points above the EU-28 average, although this is an improvement from 1.25 million people (32.6%) in 2012, in the immediate aftermath of the economic crisis. The material and social deprivation rate for persons not in employment (i.e., when households cannot afford at least five of the 13 items taken into account) also decreased from 28.9% in 2014 to 18.3% in 2018 and is now broadly similar to the EU-28 average. However, there are significant pockets of extreme poverty with 8.6% of the population living in conditions of severe material deprivation (compared to 5.9% across the EU-28).

Social transfers suffer from extreme fragmentation and are not structured in such a way that they have a significant impact on social exclusion. Benefits are very low and eligibility criteria are tight, so only 2% of the population receive social welfare. Recipients must not own anything except an apartment (i.e., no car or savings). This results in high levels of marginalization and exclusion among the poorest families. In particular, families with school-age children who live on the minimum social assistance scheme (GMB) are on average able to cover only about half of their material needs. These families use various coping strategies, including borrowing from relatives and friends, going into arrears on utility bills (which can lead to utility services being cut off), and selling items from home. Parents in such families often go hungry so that their children have enough to eat. There is a growing concern about the quality and availability of nursing homes, both private and public. In the coming years, familiarization of elderly care is likely to increase as in other Mediterranean countries, which will negatively affect intergenerational solidarity and labor market outcomes.

In 2018, in an effort to address these issues, the government adopted the Action Plan for the Improvement of Social Benefits 2018 – 2020, which has unfortunately failed to improve the adequacy or coverage of social assistance, and has had little impact on the extent of social exclusion or marginalization.

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Greece

Score 4

Since 2009, Greece has lost more than a quarter of its real economic output with dire social consequences. A study by the Athens-based DiaNeosis think tank found that the earnings of 15% of the population were below the extreme poverty threshold. In 2009, that share was below 2.2%. Though Greece is not ranked among the worst-performing OECD countries with regard to income inequality or poverty, social exclusion is rather unusual for an EU country. In 2017 (latest Eurostat data available as of the time of writing) the share of Greeks at risk of poverty or social exclusion was 35% (EU-28 average: 23%). Life satisfaction, which dropped after 2010 but was rising between 2013 and 2015, was again on the decline in 2016 and 2017.

Besides the economic crisis, a deeper challenge is the long-term exclusion of young people from the labor market, to which they remain outsiders. The share of people aged 20 to 34 who are not in education, employment or training (NEET) is the second-worst in EU-28 (27%). Another challenge is the enduring tendency of Greek governments to cater to the social needs of old-age pensioners much more than those of any other category of welfare-state beneficiaries. Meanwhile, typical government measures included the distribution of ad hoc social-assistance benefits (usually just before Christmas, as occurred once again in December 2018). Benefits, which are usually less generous than pensions, have been handed out to selected categories of the population. The government also hired poor and unemployed people in the public sector on temporary, five-month-long contracts, and counted on kin or family networks to fill in the gaps of a still inchoate social policy. In fact, with the government’s blessing, old-age pensioners were expected to live on their pensions or other sources of income while also offering food and shelter to socially excluded relatives.

In the period under review, the implementation of a minimum-income guarantee program, called Social Solidarity Income (KEA; first introduced in 2017), was continued. The implementation of this long awaited national minimum-income scheme was a positive development, and it undoubtedly represents a major improvement over all previous programs. However, the program still needs predictable and smooth financing, as well as the establishment of permanent monitoring and impact assessment mechanisms to prevent the inefficient use of resources.

Complementary measures to fight unemployment (a major cause of rising poverty), such as participation in vocational education and training (VET), remained modest. To sum up, as in the recent past, welfare measures in the period under review were focused more strongly on old-age pensioners than on the unemployed or the socially excluded. Better-targeted benefits could make growth more inclusive.

Citation:
Data on the poverty rate, GNI coefficient and NEET share in the age group 20-24 is provided by the SGI dataset on this platform.

Data on the share of people at risk of poverty or social exclusion is available from Eurostat at https://ec.europa.eu/eurostat/statistics-explained/index.php/People_at_risk_of_poverty_or_social_exclusion

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Hungary

Score 4

The basic social message of the Orbán governments has always been that they would fight for upward mobility of "hard working people" in Hungarian society, representing the interests of both the middle class and low-income earners. However, despite some economic recovery since 2013, both the impoverishment of people in the lower income deciles and the weakening of the middle classes have continued. Ranking 36 out of 40 countries for life satisfaction, Hungary trails behind in the OECD's Better Life Index 2019. Only one-third of Hungarian society can achieve a way of life similar to that in the developed EU member states. There are also strong regional disparities in terms of social inclusion, with big islands of poverty prevailing in Eastern Hungary, and a growing segregation of the Roma population.

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Mexico

Score 4

Mexico is a socially hierarchical society along a number of dimensions: educational, racial and financial. While democratization has somewhat reduced the most flagrant social divisions, Mexican governments have not been capable or willing to bring substantial change. Moreover, the Mexican state is too weak to carry out major social reforms and there is strong resistance against wealth redistribution. Among OECD countries Mexico has one of the highest income concentration indexes, with a Gini coefficient of 0.48 in 2016 (according to the World Bank).

Nevertheless, there is some evidence that public policy has improved the distribution of income in Mexico during the last two decades. The Gini coefficient has come down slightly.

A government policy to address extreme poverty and the lack of adequate sources of food has been effective since 2012, called the Cruzada Nacional Contra el Hambre with its Food Support Program. The policy was intended to reach more than seven million people and has been praised for its effectiveness. It created a database of beneficiaries who were not receiving cash transfers through other government agencies.

Nonetheless, in an official report from 2018, National Council for the Evaluation of Social Development Policy (CONEVAL) noted that the number of poor people had increased from 49.5 million in 2008 to 52.4 million in 2018. Nevertheless, the poverty rate decreased from 44.4% to 41.9% of the population. The organization has warned that the total of 6,491 social programs – which are carried out by national, regional and local administrations – should be critically reviewed. Poverty is highly concentrated among indigenous and rural populations, indicating another layer of inequality in Mexico. For this reason, there are generally strong regional inequalities in terms of the extent of poverty. Though recently there have been major achievements in fighting poverty in the northern half of Mexico, while the poverty rate has risen in southern states such as Chiapas, Oaxaca and Veracruz. Overall, extreme poverty has decreased over the last 10 years from 11% to 7.4%.

Improving the social situation of many Mexicans can be interpreted as a key goals of the new Mexican government. However, the government often has its hands tied in this regard. As such, a change would require stronger state tax revenues, which at present seems unlikely.

Citation:
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Romania

Score 4

Rates of poverty and social exclusion in Romania remain among the highest of EU member states, with one in three Romanians at risk. Groups such as children, the elderly, the Roma, people with disabilities, and those living in rural areas are particularly affected: 40% of children, 45.5% of people in rural areas, and 78% of Roma are at risk of poverty and social exclusion. There is a recognized need for greater attention by the government to measures to combat gender-based discrimination, while people with disabilities continue to face systemic barriers accessing employment, public services and independent living. Further, income inequality, in-work poverty, housing deprivation and monetary poverty in Romania are among the highest in the EU. Meanwhile, social services have also struggled to foster the inclusion of disadvantaged groups. Services in Romania continue to lack in both quality and coverage, with only approximately 20% of administrative territorial areas having licensed social services. They also suffer from uneven geographic distribution, with services concentrated in richer or more urban areas, and a lack of integration with employment, education, and health services.

While the year under review has witnessed discernable efforts to prevent exclusion and decoupling from society, progress has been limited by consistent delays, a lack of coordination, and seemingly-limited political commitment. For instance, while a pilot program by the Ministries of Labour and Social Justice, National Education, and Health was recently launched to provide integrated services in some of the country's poorest areas, ineffective collaboration by these ministries have impeded the program's monitoring to date. Progress on the country's National Strategy and Strategic Action Plan on Social Inclusion and Poverty Reduction for 2015-2020 has been stunted by delays in measures sure as increasing the employment rate, reducing early school-leaving, and scaling up national health programs. Another reform with potentially major impacts, the implementation of a minimum inclusion income scheme, was initiated in 2016 and experienced repeated pushbacks, with a further postponement to 2021 in the past year. As such, legislative efforts in the year under review have continued to fall short.

United States

Score 4

The United States has long featured high levels of economic inequality that have continued to increase. In recent years, poverty has remained persistent and been accompanied by exceptionally large income gains among the top 1% and, in particular, the top 0.1% of earners. The United States ranks in the top five among the 41 OECD countries with regard to the proportion of the population (17.3%) that receives less than 50% of the median income. Overall income inequality (after taxes and transfers) hit a record high in 2019, according to the Census Bureau.

President Trump and the Republican Congress have introduced major cuts to programs targeting the poor – including healthcare, food stamps, student loans and disability payments. They have also sought to exclude undocumented immigrants from receiving the Child Tax Credit or the Earned Income Tax Credit. They have sought to eliminate the expanded low-income health coverage that was introduced by Obamacare. In 2019, the Trump administration initiated efforts to bar undocumented immigrants from purchasing healthcare insurance under the Affordable Care Act and to sharply reduce coverage of the food stamp program. In 2019, the Trump administration signed the Reducing Poverty in American Act, an executive order that expanded work requirements in the social welfare net, especially in the Supplemental Nutrition Assistance Program (SNAP).

Israel

Score 3

Between 2018 and 2019, there were no new major social welfare initiatives in Israel. Consequently, poverty and inequality have remained high.
Israel still faces high inequality relative to other OECD countries. As of 2019, Israel ranked 12 out of 35 OECD countries on the basis of inequality as measured by the Gini coefficient. It also has the second-highest relative-income poverty rate within the OECD (18.6%). Additionally, Israel currently has one of the lowest rates of spending on social issues among the OECD countries (16.1% of GDP compared to an OECD average of 21%, 2018).

According to the annual poverty report of Israel's National Insurance Institute for 2017, 1,780,500 Israelis, including 466,400 families and 814,000 children, some 21.2% of the population, live below the poverty line. These numbers show no change from the 2016 report. However, poverty is higher among the poorest groups in Israel, including Arab Israelis and ultra-Orthodox Jews. According to the report, the overall poverty rate was 18.4% in 2017, a decrease of 0.1% from 2016.

Israel's government launched a five-year program (2016 – 2020), which aims to promote the economic and structural development of Israel's Arab Israeli population. However, the program's original budget allocation of ILS 15.5 billion has been reduced to ILS 9.7 billion, excluding the education component. As of 2018, the program is progressing according to plan, with about one-third of the budget having been spent on projects related to housing, jurisdiction mapping, education, the representation of Arab Israelis in the public sector and the improvement in the quality of Arab Israeli local authority personnel. The percentage of Arab Israeli families living in poverty decreased from 49.2% in 2016 to 47.1% in 2017. However, between 2016 and 2017, the depth of poverty and the severity of poverty increased by 10% and 22%, respectively.

In 2017, the percentage of ultra-Orthodox Jews living in poverty decreased by 2 percentage points from 45.1% to 43.1%. As of 2017, ultra-Orthodox Jews comprise 15% of poor families in Israel.

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