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A CONSULTATION PAPER FROM THE BUREAU OF EUROPEAN POLICY ADVISERS

EUROPE'S SOCIAL REALITY

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<u>**Disclaimer**</u>

The analysis contained in this report is personal to the authors and does not necessarily reflect the view of the European Commission.

Note on Sources and the Use of Data

This paper, of necessity given its remit, covers a vast range of social issues. The data it uses are drawn in the main from standard European Commission and OECD analyses: annual DG Employment and Social Affairs publications such as the Social Situation in Europe report, the Employment in Europe report, the Industrial Relations in Europe report and the Joint Council and Commission reports on Social Inclusion; DG ECFIN analyses of social issues such as the impact of ageing on public expenditure; DG Education and Culture reports on comparative educational outcomes; DG SANCO studies of health issues; Eurobarometer surveys and OECD studies such as Society at a Glance, Health at a Glance and Pensions at a Glance. We have tried where possible to verify the use of these standard sources within the Commission. References are only included where the paper refers to studies by particular academics, think tanks or institutes based in Member States.

Given the breadth of the topic – and the purpose to stimulate debate and discussion – the paper cannot be comprehensive in its analysis. There is bound to be generalisation. While space limitations prevent an accurate description of the situation in each Member State, EU averages disguise the social reality of Europe's diversity: so the paper singles out particular Member States, not because their position is necessarily exceptional or even less open to criticism, but in order to highlight facts that the Bureau of European Policy Advisers (BEPA) believes will prove interesting to the reader.

The Bureau of European Policy Advisers (BEPA) is a Directorate General of the European Commission which mission is to provide timely, informed, policy and political advice to the President and Commission Services on issues relevant to the President's agenda and the future of policies in the Union. BEPA aims to produce research and policy analysis up to high professional standards, contributing to effective communication not only within the Commission and the EU Institutions but also with academia, markets and the public in general. Its work concentrates on the early (strategic) stage of the policy cycle, thereby contributing to shaping policy options in the medium and long run.

TABLE OF CONTENTS

INTRODUCTION 5

1. TRENDS: HOW EUROPEAN SOCIETIES ARE CHANGING 6

1.1. The transition to a post- industrial knowledge and service economy 8

1.2. The Impact of the Welfare State 11

1.3. The impact of mass affluence 13

1.4. The citizen as consumer 13

1.5. Gender equality and demographic change 14

1.6. The trend to individualisation 15

2. MEASURING EUROPEAN WELL-BEING IN THE POST INDUSTRIAL AGE 17

3. ISSUES IN RAISING SOCIAL QUALITY 20

3.1. Employment opportunity 20

3.2. Are people satisfied with the jobs they have? 21

3.3. Access to educational opportunity 23

3.4. Social mobility: the transmission of life chances to future generations 25

3.5. Demography and the 'ageing society' 26

3.6. Family life and well-being 27

3.7. Poverty and its impact on access to life opportunities 27

3.8. Does inequality matter? 29

3.9. Access to good health 31

3.10. Quality of Life 33

3.11. Rising Crime and Insecurity 36

3.12. Migration, ethnic diversity and integration 37

4. ISSUES FOR DISCUSSION 41

4.1. Trends 41

4.2. Well-being 41

4.3. Opportunity and Access 41

Bibliography and References 43

Annex : Charts and Tables 49

LIST OF CHARTS AND TABLES :

Chart 1 : Comparative employment structure (by main employment sector) of the EU Member States (2005).

Chart 2 :Life satisfaction in EU.

Chart 3 : Population that has attained tertiary education (2003).

Chart 4 : Population that has attained upper secondary education (2003).

Chart 5 :Youths participating in tertiary education by educational attainment of their parents (1994-1995).

Chart 6 : Participation rate in non-formal job-related continuing education and training for the labour force 25 to 64-years of age, by level of educational attainment (2003).

Table 1 :Change in Employment (1995-2005).

Table 2 :Projected Dependency Ratios (in %).

Table 3 : Internationally Comparable Estimates of Inter-generational Mobility.

Table 4 : At-risk-of-poverty rates by household type (2003).

INTRODUCTION

How can the social well-being of all Europe's citizens be best advanced within a globalising world?

This question should be at the heart of everything the EU and its Member States do. Public policy imperatives, such as 'Growth and Jobs', the Lisbon strategy, and the drive for greater competitiveness are not ends in themselves – but means to an end - the well-being of European citizens. Citizens may not have a precise definition of what they mean by well-being, but the broad concept that well-being embraces something more than the material living standards that our societies as a whole achieve, is well understood.

The conventional view is that greater economic openness drives the innovation and productivity growth that in turn creates the jobs and prosperity on which well-being and a better quality of life ultimately depend. But in recent years it has become clear that a significant number of European citizens see globalisation, liberalisation and the drive for greater competitiveness as much as a threat to their well-being as a facilitator of it. Why should this be so? What is at the root of the insecurities that people feel and which result in resistance to openness and a reluctance to face economic change with confidence?

That is why the European Commission came to the view in the first half of 2006 that the complex dynamics of social change within our societies need to be analysed afresh in order to strengthen Europe's response to globalisation. In its May 2006 ***Communication 'An Agenda for European citizens' the Commission proposed*** a 'social reality check' to prepare the ground for a forward looking agenda for access and solidarity. In June 2006 the European Council supported that approach, inviting the Commission to ***take stock of the social situation in the Union, with a particular emphasis on questions of 'access and opportunity'.*** This reflects an increasingly accepted view that whereas society cannot guarantee equal outcomes for its citizens, equal opportunity is a weak goal unless accompanied by strong efforts to ensure that all citizens have access to the resources, conditions and capabilities that make theoretical equality of opportunity real and meaningful.

This BEPA Consultation Paper is the Commission's first step in responding to the Council's request to launch a debate on Europe's social reality. It is not a usual stakeholder consultation, nor does it seek views on a specific policy or regulatory initiative. It is not a debate about the 'social acquis', the body of social policy legislation which is in force. It is not a formal Commission paper representing a settled College view: rather it aims to provoke discussion and open a wide-ranging debate on a broad canvass of issues.

There is no presumption that prescriptive policy conclusions will be drawn. The only assumption underlying the exercise is that for all Europe's diversity, the challenges that our societies face are sufficiently common to make it worthwhile to embark on Europe-wide debate about them, drawing on comparisons of Member State experience.

This paper examines first the main drivers behind the social transformations in European societies in the past generation. For the founding Member States this is the period since the end of the post war 'trentes glorieuses'[1] when growth slowed and in several, unemployment

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1 Jean Fourastie: 'Les trentes glorieuses: ou La Revolution invisible de 1946 à 1975'. Paris, Fayard. (1979)

became a significant problem. For the ten New Member States that joined the EU in 2004, particularly the eight former Communist countries, (referred to in this paper by the shorthand of the EU8 and EU10), together with Bulgaria and Romania joining in January 2007, this is the dramatic and at times traumatic period of transition and enlargement. For the so-called 'Cohesion Four', (Ireland, Spain, Portugal and Greece), it marks a period of transformation from relative backwardness to rapid modernisation. For the UK it covers the period from the sharp break with the post war consensus in the early 1980s that ended British economic decline though at some lasting social cost. For Northern Europeans, economic crisis at the end of the 1980s led to outstanding growth performance and a revival of interest in the Nordic Social Model.

The paper looks at common patterns in these contrasting experiences and how social changes can be assessed against benchmarks of well-being. It then attempts to open a debate about some of the key factors that contribute to well-being – such as economic opportunity, the changing nature of work, the challenges of the ageing society, demography and new patterns of family life, poverty and inequality, the barriers to good health and social mobility, quality of life, crime and anti-social behaviour, and diversity and multiculturalism.

The aim of this exercise in exploring Europe's social reality is to build a new consensus on the common social challenges facing Europeans. It is to strengthen the partnership between the European Union and its Member States in the delivery of the Lisbon Growth and Jobs Strategy. The focus however is self consciously social, not socio-economic. The competence and responsibility for action in most of the areas discussed in this paper lies with Member States, not the EU. Open-ended analysis of social trends and cataloguing social 'problems' can of course raise expectations of wide-ranging action. Therefore issues such as the citizens' willingness to pay, the requirements of competitiveness and fiscal discipline and the constraints on what public policies can achieve cannot be ignored.

However, it is in a spirit of genuine open-endedness that the Commission, through launching this BEPA paper, seeks views on the implications of social trends and the identification and assessment of the factors contributing to well-being in Europe.

1. TRENDS: HOW EUROPEAN SOCIETIES ARE CHANGING

Can we discern common trends in the way European societies are heading? Does globalisation herald a change of pace or direction? Will these changes improve or worsen citizens' access to the opportunities that enable them to fulfil their individual potential and in what ways?

There is of course great diversity, often as much *within* as *between* Member States. However, all Member States face common challenges such as demography, increased ethnic and cultural diversity, and an individualisation of values. All EU Member States are relatively open societies shaped by the global forces of modern capitalism and world wide cultural trends. The relatively well developed societies of the EU15 all have to face up to the multi-varied challenges of affluence, but for the post Communist new Member States the economic and social transformation under way is even greater as a result of the dramatic reality of transition. In all our societies, including the post Communist ones, there is a growing cultural gap between 'cosmopolitans' who can be portrayed as the winners from current economic, social and cultural trends; and those left behind by economic change and industrial restructuring who often see their traditional communities, values and ways of life as under threat.

Globalisation is the frame of reference that defines the modern purpose of the European Union. It focuses attention on critical issues such as trade policy, the rise of Asia, and climate change, as well as how in a world of mass migration, cross border crime and terrorism, Europe can combine openness with security. These are issues where the European Union has a key role to play if Europe's response is to be effective.

The European Union has a long experience in dealing with these types of challenges. From the Common Market through the Single Market to the single currency, the EU has strengthened the dynamic forces of economic change and restructuring. But equally the EU has made a substantial difference to the European 'quality of life' across a whole range of issues. The EU's social commitments to employment rights, social dialogue, gender equality and action against all forms of discrimination together with the leading role it has played on environmental questions and consumer protection are both consequence and cause of social transformation in Europe. The EU has consolidated democracy across Europe through enlargement, as dramatic a transformation in our time as Franco German reconciliation for a previous generation. It has greatly expanded the scope of individual freedom to live, work and travel. To illustrate, there are now thought to be more French citizens living in Britain, somewhere between 300,000 and 400,000, as opposed to some 300,000 British citizens living in France (excluding second home owners). Many are attracted to work in London, which as the EU's leading financial centre, has become as much a European as a cosmopolitan city. A 2005 Eurobarometer study on mobility in the EU showed that almost 15% of European citizens, especially Northern Europeans, are thinking of spending their retirement in a Member State other than their own.[2]

But, it would be inaccurate to say European societies today have been shaped primarily by globalisation. Europe's social reality is more complex. True in the past generation, our societies have undergone rapid change, but it is a myth to believe in a timeless 'European social model' which has now been subject to a 'globalisation shock'. Globalisation may be accentuating some key trends: the disappearance of traditional industrial jobs (in conjunction with the impact of new technology and the emergence of new consumer demands as our societies get richer)[3]; the requirement for a highly educated society able to develop the talents of all its citizens to the full; the emergence of striking new geographic and income inequalities as the fortunes of 'winners' and 'losers' diverge; the imperative of designing a more environmentally sustainable economy to ensure that Europe's long term energy needs are met and tackle the looming threats of climate change; and the challenge to the benefits of openness from the problems of mismanaged migration and failed integration. As traditional communities erode and our societies become more diverse, feelings of insecurity grow, fear of crime increases and questions of identity and citizenship come in question.

Social change has however in the main been internally driven. Europe's rapid trajectory to a **post industrial knowledge and service economy** is transforming the nature of work and social class divisions as well as the conditions of access to economic opportunity, the extent of social mobility and the incidence of poverty and inequality. The **achievement of mass affluence and the process of economic modernisation** have profoundly shaped values, as we see in the trend to individualisation, new patterns of family life, the changing position of women in society, the rise of post-material concerns and the new challenges of democratic

2 Barbara Gerstenberger, 'The Growth Potential of the Silver Economy'. European Foundation for the Improvement of Living and Working Conditions, (2005).

3 Belessiotis Tassos, Mattias Levin, Reinhilde Veugelers 'EU Competitiveness and Industrial Location' BEPA (September 2005). This study concluded that the impact input of outsourcing appears to be limited in scope, especially as compared to other shocks that affect the European economy such as technological change'.

engagement. But this individualisation often goes side by side with an increased yearning for a more socially cohesive and socially responsible society, as well as the high value put by people on quality of life issues such as clean air, clean water and environmental security which are seen as fundamentals that matter as much, if not more to people than material affluence. Radical **demographic change** is seen in declining fertility and longer life expectancy raising issues of social and economic sustainability, new and diverse housing demands, work life balance in dual earner households, gender equality in who shares the burden of care and equity between the generations. The **rise of the citizen as consumer** is changing the way we think about issues such as choice in housing and public services, individual responsibility for one's health, the management of waste and recycling, food safety and quality, while other concerns such as ethical consumption and community empowerment emerge. There is no evidence of a lessening of citizens' concerns with public issues, but participation and trust in traditional forms of politics and citizen engagement is generally in decline. The **development of the welfare state,** itself a social and political response to the industrial age, has in turn reshaped life opportunities for tens of millions in our societies, as well as arguably changing incentives and creating new dependencies from which individuals can find it difficult to escape. Welfare states have been shown to contain complex dynamics of their own that are slow to work through our societies and difficult to change.

Europeans cannot therefore 'blame' globalisation for the social challenges of our times. However some fear that the capacity of Member States individually to respond to these challenges may be constrained as a result of globalisation, for example as a result of tax competition and other factors potentially driving 'a race to the bottom'. There are clearly issues that pertain to the possible role for the European Union in responding to these social challenges and the place of legislation, budgetary intervention and social dialogue at European level. These issues will inevitably form part of the ensuing debate.

1.1. The transition to a post- industrial knowledge and service economy

At the end of the Second World War, despite the importance of manufacturing in output and employment, much of European society was still pre-industrial[4]. In 2006 the most advanced Member States are rapidly becoming post industrial, as Chart 1 shows, with manufacturing accounting for less than a fifth of employment in the EU25 as a whole. Service jobs account for more than two thirds of all jobs. Between 2000 and 2004 over eight million new service jobs were created in the EU 25, while employment fell in industry (down 1.7 million) and agriculture (down 1.1 million). This trend is as clear in the New Member States as the old: the biggest job growth in Poland has recently been in the property and business services sectors.

In the EU15 workforce, in 2005 just over 40% was employed in 'knowledge based' sectors as defined by Eurostat (high to medium tech manufacturing plus knowledge based services), with Sweden reaching the highest level (54%) and Portugal the lowest (26%). Against the EU15 average, Spain was at 32%, Italy at 37%, France at 43%, and Germany at 44% and the UK at 50%.

4 See Tony Judt, Post War. A History of Europe Since 1945. Penguin Books. 2006. In France a third of people still worked on the land. In Southern Europe the numbers were far higher.

The trend to the knowledge and service economy has gathered pace in the last decade as Table 1 demonstrates. In the EU15 job growth over the last ten years in knowledge based sectors (at 23.9%) comfortably outstripped the rest of the economy (at 5.7%)[5].

These changes in economic structure are resulting in new occupational divisions[6] :

- At least half of existing jobs demand a high level of cognitive and/or personal skills. A quarter of all jobs demand advanced qualifications in IT and the proportion is rising fast. Yet one third of the existing workforce has very few skills and one in six young people are still leaving school without qualifications.

- The growth of new types of skilled job is matched by a large number of service jobs in cafes, hotels, shops, supermarkets, and filling stations as well as public service jobs such as hospital porters and care workers. Women are heavily represented in this low skilled service sector as well as among routine office jobs and over a quarter work part- time. While generally among women with part time jobs, job satisfaction is high (with many in particular valuing the social contact that work brings and the potential for better work life balance), there are issues concerning the gender pay gap, fewer opportunities for training and career progression, weaker job tenure and reduced access to social benefits which lead to gender segmentation in the labour market that denies equal opportunity.

- The position of the unskilled – particularly men – is generally worsening, above all in areas of manufacturing industry decline. There are jobs available for the unskilled – but sometimes not in the right place, not with same protections and not jobs that some men feel able or comfortable to do as they require face-to-face social skills outside the traditional experience of their immediate communities. Rates of unemployment are higher than for the better educated. An exception might be some very tight local labour markets where demand for unskilled labour is still high and there is now debate about the impact of migration in filling it. But even here, there are high risks of the low skilled ending up on a carousel of poor quality jobs with little opportunity for training in new skills, followed by spells of unemployment[7].

These changes largely reflect technological advance and shifts in consumer demand as our societies have become richer. But some believe that these structural shifts also reflect changes in the nature of modern capitalism that are far less benign or socially neutral. Some express serious concerns about the changing nature of business and the responsibilities it accepts to its workforce[8]. In the heyday of mass manufacturing, corporatist forms of capitalism, most notably the Rhineland model, were arguably the most successful. Crudely, labour guaranteed social peace, while capital offered jobs for life. This enabled firms whose competitive advantage depended on incremental improvement in product quality to invest in the firm's human capital through job specific training for their staff. The separation of management

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5 The Knowledge Economy in Europe, The Work Foundation, London. (October 2006).

6 See Anthony Giddens, Europe in the Global Age. Polity Press. (October 2006).

7 M Eliason and D Storrie 'Lasting or latent scars? Swedish evidence on the long term effects of job displacement'. Journal of Labour Economics (October 2006). Analysing workers hit by Swedish plant closures, the authors find that displaced workers suffered both substantial losses in earnings and a worsened long term labour market position compared with others, with a higher likelihood of recurring job loss, with older workers faring the worst. Quoted in Restructuring and Employment in the EU: Concepts, Measurement and Evidence. European Foundation for the Improvement of Living and Working Conditions (2006).

8 See for instance John Monks, General Secretary of the ETUC, Aneurin Bevan Memorial Lecture: The Challenge of New Capitalism (November 2006)

from control enabled firms to take a long term view and not be driven by short term profit performance.

However in the modern world, capital is once again mobile, as it was in the pre-1914 wave of globalisation. But in addition to capital mobility, the expanding possibilities of global communication, technology transfer and in particular information technology have enabled managers to think of organising supply chains in global terms and outsourcing particular tasks. This is not just a question of delocalising activities that are routine and semiskilled: developments in globalisation and IT make it feasible to disaggregate tasks and outsource even highly skilled ones that can be fulfilled cheaply and efficiently in other parts of the world[9]. Nonetheless despite these possibilities, there may still be good grounds for companies continuing to locate where capabilities have been built up over a long period and where production remains close to 'home' markets.

Alongside the increased mobility of capital and globalisation of supply chains, in recent times the market for corporate control is opening the accompanying up the parallel in much of Europe, focusing managers much more sharply on meeting profit targets. Hedge funds are seeking to move in on situations where present profitability does not reflect the underlying value of the firm's assets and new, tighter and financially motivated management teams can deliver quick results. At the same time competitive advantage has in many sectors shifted from securing incremental product or service improvement to making a commercial success of innovation at the technological and knowledge frontier. Also the time horizons for capital investment have shortened. On this gloomy view, capitalism driven by those new imperatives increasingly focuses on profit at the expense of job security and long term commitment to its employees. It is not, it is argued, that there is no alternative, but that financial performance and personal enrichment have been allowed to displace the values of mutual commitment and social partnership in the pursuit of enterprise.

However some aspects of recent changes represent an opportunity not a threat. For example diversification of supply chains has brought new jobs to the EU8 and strengthened the ability of European companies to compete in global markets, where the success record for many is outstanding. As for mergers and takeovers, there is no efficiency or social justice argument for defending the privileges of sleepy managers, sometimes in family firms where the younger generation has lost active interest in the running of the company. A perfectly logical case can be made that commercial success in the knowledge and service economy enriches the jobs many people do because competitiveness depends on less hierarchy, more team working and higher and more flexible workforce skills than in the old manufacturing economy. Much depends on individual attitudes to security and risk-taking and that in turn depends on individuals' confidence in their own skills and employability.

Changes in economic structure are altering the pattern of regional inequalities within the EU. Cities, are successfully remaking their future as centres of the knowledge economy. Their economic base is often made up of financial and business services, higher education, and cultural and sporting activities. Some have developed successful high- tech clusters. US sociologist, Richard Florida, believes that the differentiating factor in the success of the modern city is the ability to attract the so-called 'creative class', who make their living out of shaping knowledge in one way or another as opposed to carrying out a routine or defined task.

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9 One of the best recent discussions of these issues is in a paper of Richard Baldwin's written for the Finnish Presidency. Globalisation : The Great Unbundling(s) (September 2006) and available on their website.

However for once prosperous industrial towns, even those situated relatively near these cities, the story is often different. Towns in regions like Lorraine in France, the Ruhr in Germany and Lancashire and South Yorkshire in the UK, have lost their old economic backbone and face difficult challenges of adjustment in discovering a new one. While the income gap between richer and poorer *countries* within the EU 15 has substantially *narrowed* (and has been spectacularly eliminated in the case of Ireland), the gap between the richest and poorest *regions* has *widened,* even within the EU15. This widening of regional inequalities can of course in principle coexist with a decrease in individual inequalities as a result of people moving from poorer to richer regions but the European Union has long recognised through the Structural Funds, the significance of narrowing regional disparities in the quest for greater social cohesion.

Enlargement is adding a whole new dimension to regional disparities. Living standards are a lot lower. Two thirds of the EU 10 live in regions where GDP per head is half or less the EU 15 average. In the whole of Bulgaria and Romania, the average is less than a third. In 2003 the average net household income in Bulgaria and Romania was still below 300 Euro per month in purchasing power parity. For the lowest quartile it was about 100 Euro, reflecting high levels of income inequality in these new Member States[10].

However economic structures in the EU8 are not as different as the crude income gap may suggest. Many of the new Member States underwent rapid and brutal industrialisation in the post war era – and they have experienced a painful transition from heavy industry in the last fifteen years. Standards of education and skill are generally high – higher than in Southern Europe – and this, with lower wages, has served as a pole of attraction for manufacturing inward investment. Service employment is somewhat lower than in the EU15, but growing fast in sectors like hotels and catering. There remain however large numbers of peasant farmers, especially in the more populous Poland and Romania, eking out a subsistence living: for some this has been the only way to survive the economic traumas of transition.

1.2. The Impact of the Welfare State

It is well understood how welfare states insured people against the risks of the industrial age. But in meeting physical and material needs, they have also profoundly shaped broader life opportunities in our societies. As the European Commission has argued for some time, social policy can be a positive productive factor. Insurance against social risks facilitates economic change. In the United States the fact that too often to lose one's job is to lose the family's entitlement to health insurance is thought to be one of the major reasons behind protectionist pressures.

The expansion of higher education offers well-attested benefits in terms of increased earning power, but has also had a profound impact on middle class attitudes. Women are much more likely to pursue a career if they have a degree. But it also opens intellectual and cultural horizons, contributing to the 'values shift' that our societies are witnessing.

The abolition of extreme poverty and the availability of comprehensive health care have contributed to longevity. Pensions and social insurance have greatly reduced what was once the scourge of indigence and indignity in old age, though one in six old people, mainly women, still live in poverty. Older people hold a greater share of overall wealth and income

10 First European Quality of Life Survey in Bulgaria and Romania. European Foundation for the Improvement of Living and Working Conditions. (2006).

than they did in the past. In the EU 15, the 'ageing society' means for many at present a long and comfortable retirement.

This has created a major issue of fairness and sustainability between the generations. When social insurance schemes were first designed, few questioned the sustainability of a 'pay as you go' model. A growing young labour force, full employment and limited life expectancy for the retired appeared to guarantee long term viability. Political debate tended to focus on the degree of redistribution between rich and poor implied by the contributions and benefits payable. As the underlying demographic conditions began to change, market liberals began to press the virtues of switching to 'funded' schemes and individualised accounts. But in Member States that introduced such experiments, there were problems with pensions 'mis-selling', stock market fluctuations and risk pooling. Most Member States have opted instead for a process of incremental reforms to 'pay as you go' systems that involve raising retirement ages, constraining benefits and increasing contributions. But in order to win political support for such reforms, those already in retirement, or near it, have been largely unaffected. Fairness and equity have been compromised for reasons of understandable political expediency: yet in some Member States major reforms are still necessary to secure long term sustainability.

The largely universal provision of social benefits (despite some notable gaps such as the absence of social provision for single unemployed young people in Italy) has facilitated personal independence, but it may also have fostered dependence. For example, the provision of social benefits for children has reduced the economic costs of relationship breakdown, particularly for women. The hardships of single parenthood have been addressed and the basic needs of children, who have no choice over who their parents are, have been better met.

Yet at the same time families, however one defines them, are less 'strong'. Our generous welfare states ameliorate poverty but are less good at providing access to new opportunity, as shown in the numbers of long term unemployed, long term sick and disabled and quasi-early retired in Europe. Some would argue that the welfare system is locking people in a dependence from which they find it difficult and sometimes impossible to escape.

There has been an inevitable impact on work incentives. Nordic experience suggests that welfare states can be generous to the unemployed as long as real conditionality is attached to benefits, which depends on both the quality of a public administration’s ability to pursue active labour market policies and a culture of social obligation on the individual’s part to find a job.

But in many Member States[11] generous welfare states successfully ameliorate poverty but are less good at providing access to new opportunity. Welfare has not been comprehensively recast from a safety net that cushions failure to a trampoline that enables people to bounce back from the personal setbacks that life events randomly cause. Too often in the past for example the social consequences of industry restructuring have been met by early retirement, not by re-integrating older workers into the labour market in ways that effectively address both Europe’s 'growth and jobs' and demography challenge. Some Member States have successfully given priority to active labour market policies based on a strong concept of rights and responsibilities: this is the great strength of the 'Danish model', but it does require sizeable budgetary support and extensive public intervention. In the absence of clear duties alongside established rights, welfare can foster perceptions that the system is being abused,

11 André Sapir, 'Globalisation and the Reform of European Social Models'. Background document for the presentation at ECOFIN Informal Meeting in Manchester, September 2005.

which in turn undermine the ideas of 'fairness' that underlie the solidarity offered by Europe's Social Models. Ideas of fairness are further challenged by the increasing diversity of our societies and perceptions (often false or partial) of some groups' willingness to work and alleged abuse of social benefits.

1.3. The impact of mass affluence

Most EU citizens in middle life would count as affluent by the standards of their parents and grandparents. This even applies in some New Member States once their economies overcame the drastic but temporary fall in living standards as a result of transition. On the measures of achievement that the post war affluent society set for itself – home ownership, car ownership, central heating, the presence of TVs, fridges and freezers, washing machines and dishwashers in the home, foreign holidays – most of Europe can boast success.

Mass affluence has widened horizons and expanded life choices. The development of TV followed by video technologies and in the last fifteen years the mobile phone and internet, plus the increasing ability to travel freely, broke down the cultural isolation of what were once closed rural and industrial communities, putting vast acres of information and experience within reach and exposing people to global influences.

Once the basic needs of consumption were met for the affluent, rising incomes have fuelled new sets of demands in an increasingly post-materialist society: as consumers, for new hobbies, organic food, gyms and personal trainers (a sector of very high employment growth), and personal counselling; in business, for all kinds of consultancy; and in politics for environmental concerns. This is precisely in line with the predictions of the American sociologist Maslow and his theorising about how human beings have a 'hierarchy of needs' up which they advance, once basic material wants are satisfied[12]. These developments have driven the demand side of the knowledge economy. Set against this relative material deprivation for the poor, even in richer Member States, can be real. In 1999 for example, among lone parents in the UK (though the position has since improved), 1 in 12 could not afford a main meal every day or a weatherproof coat for each of their children, 1 in 4 adequate toys and sports gear for them, and 3 out of 4 a one week holiday[13].

1.4. The citizen as consumer

In the age of mass affluence, individuals define themselves more by the choices they make over consumption than their role as producers. They can be both more discerning in their demands – for example for healthier food or environmentally friendly products – yet at the same time anxious to demonstrate through their consumption habits, their position and status. Consumption is so important to people that they are prepared to incur large consumer debts in order to sustain it. Debt in 12 of the EU 15 grew from an average 14,322 Euro per person in 2002 to 16,337 in 2004. As a percentage of annual household disposable income, it stands at over 90%. There is evidence that most of us find the 'hedonic treadmill' ultimately unsatisfying and for those who cannot keep up in the consumption race, it seems a source of stress, accentuating problems of self esteem and feelings of personal failure. So alongside the explosion of healthy eating fads and diets, gyms and jogging, psycho-social factors are thought to be big contributory factors to binge drinking, obesity, and mental illness.

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12 Abraham Maslow, 'A theory of Human Motivation', 1943.

13 Data quoted by John Hills, Inequality and the State, London School of Economics in the Ralph Miliband Lecture on Inequalities. October 2004.

Within the family, having children has largely0 become an act of conscious choice. Europe has entered the era of the 'prized child', raising concerns over issues such as child safety and sex abuse. Affluence has brought with it a vast new range of childhood toys, games, and educational activities. These make the relative deprivations of child poverty a serious social issue even when basic material needs for food, shelter, clothes and shoes have been met. At the same time as new problems such as child obesity and attention deficit disorder have emerged.

The impact of media, marketing and advertising has been a defining feature of social change in shaping peoples environment, choices and information. In our increasingly deep wired world, the media is increasingly intrusive and pervasive. The freedom of individuals, parents, and young people to make informed choices about what they see, do or purchase is now enveloped and mediated in a world of continuous and increasingly intrusive commercial communication. Parents want to choose what their children should see and watch; individuals to assess the quality and source and selection of information that is now available to them; marketing is the invisible hand in the life of the consumer. Questions of accountability arise.

1.5. Gender equality and demographic change

One of the biggest transformations of affluence has been in the position of women. The ideal of gender equality is still far from being achieved – in terms of equal job opportunities and the equal sharing of responsibility for childcare between women and men – but nonetheless the picture is one of considerable advance. Back in the 1950s, new technology began to release women from the traditional burdens of housework. Today, the time spent preparing meals and looking after the house has fallen drastically and more men take at least some responsibility, even though the strains of running a home, caring for children and elderly parents and having a job, are for many women still enormous. Nonetheless, the majority of women of working age (55.7%) now have a paid job, which is true of all Member States except Italy, Poland, Spain and Malta: in Denmark and Sweden, the employment rate for women is over 70%. Across the whole EU the gender employment gap continues to narrow and is now around 15%. Over a quarter of women in jobs work part time, but there is much a broader spread of practice than in the employment rate itself (from a high of 53% in the Netherlands to lows of 10% in Portugal and 11% in Finland)[14].

The dual earner household is now the norm. The relative position of the family in terms of income and status no more depends on the earnings of the 'male breadwinner', but on the earning power of both partners and the long term stability of their relationship.

Declining fertility has been pretty universal throughout the EU, despite frequently assumed differences between northern and southern European societies: the north one time largely Protestant, now highly secular and individualistic; the south Catholic, religious and familial. Yet it is precisely in the latter group of countries that women have rebelled most sharply against having children and their traditional role as mothers – and the conflicts between having a job and having a family are most stark.

Fertility rates have fallen by 45% since the 1960s. In 1960 the EU 15 fertility rate was 2.69. By 1980 it had fallen to 1.82. In 2000 it was 1.53. In Ireland for example, the fertility rate fell from 3.2 as late as 1980 to 1.9 in 2000. In the same year, it was only 1.3 in Greece, Italy and

14 The Part Time Pay Penalty, UK Women's Equality Unit. Alan Manning and Barbara Petronoglo, Centre for Economic Performance, London School of Economics.

Spain. The new Member States have also seen dramatic falls equivalent to Southern Europe regardless of their levels of secularisation. Here it appears that confidence in the future been shaken by the economic and social shocks of transition. In 2003, the EU 25 fertility rate was an average of 1.48, far below the 2.1 figure estimated to be necessary to sustain the present level of population (disregarding migration).

In the last twenty years the average age of women's first marriage rose five years to 28. The availability of effective contraception has enabled parents to make responsible choices over whether and when to have children, though there is some evidence that because of economic pressures, women are not having as many children as they would ideally prefer[15].

We are societies of fewer children and young people and far more retirees. In 1950 40% of the EU25 population was under 25. By 2000 the figure had fallen to 30% and by 2025 it is expected to be less than a quarter. By contrast, in 1950, less than 1 in 10 of the population were over 65. In 2000 the figure was around 1 in 6. By 2025 it will be well on the way to 1 in 4. These figures represent more than numbers. They will have a profound impact on consumer trends, housing and care needs, social attitudes and political priorities. In all our democracies, the elderly are most likely to exercise their right to vote.

1.6. The trend to individualisation

Most sociologists would agree that mass affluence has led to growing individualisation in European societies. In the 1950s and 60s the emergence of mass youth culture for the first time led the trend. It has changed attitudes to authority, the family and what ordinary people seek out of life. Life was no longer something to be accepted and lived as part of the collectivity into which one happened to be born – worker or peasant, village or town, church or religious sect. Expectations of personal self fulfilment have been raised. More people now see their lives in terms of a personal biography they write for themselves. This is not to say that people are no longer concerned about 'social cohesion': on the contrary surveys suggest that many are, but many have no desire to return to the old conformities of family, class or religion.

Europe, especially but not only Northern Europe, is a lot less religious than the United States. Only 30% of Europeans attend church regularly; 40% attend solely on special occasions; yet three quarters still find a religious service appropriate at birth, marriage and death. Over three quarters of Poles, around two thirds of Irish and over half Italians and Portuguese go to church at least once a month; fewer than a quarter of Britons, Finns and Latvians do so and fewer than 1 in 8 Czechs, Danes, Estonians, French and Swedes. However Europe is not as secularised as many people believe. A significant number of Europeans who are not religious consider themselves as church members, especially where there are state churches – the phenomenon of 'belonging without believing'. But there also Europeans who think of themselves as religious but who do not go to church.

Some believe that '*the decline of church going since the 1960s can be attributed not only as a trend to secularisation but also as part of a more general decline of secular institutions such as political parties, trade unions and organised leisure activities that require 'gathering' on a regular basis*'[16]. On the other hand there is a weak relationship on a country comparison basis,

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15 A Eurobarometer survey of women who have completed fertility concluded that while they had an average of 2.1 children, they would have preferred to have had 2.3.

16 Theo Schepens, University of Tilburg. Atlas of European Values Ed by Loek Halman, Ruud Luijkx and Marga van Zundert.(2005).

between Member States where churchgoing remains high and other measures of civic engagement. Social scientists who have looked into the question of 'social capital' in Europe observe that civil society tends to be stronger on a North- South, West - East axis. Poles are Europe's most regular church goers, but levels of civic engagement since democratisation are weak and may have fallen since 1990. The Nordics are poor church attenders, but along with the Dutch and British are the most actively engaged in one form or another of voluntary organisation in Europe. This highlights another paradox: voluntary activity is apparently complementary to a well developed welfare state, not a substitute for it[17].

Individualisation poses a big challenge to democratic engagement. The old political dividing lines of class and religion are eroding fast. Electoral turnout is in decline in many Member States, though there is an interesting contrast between the new democracies of Southern Europe where it remains relatively high and the former Communist Member States where voting in elections as well as civic engagement is generally low. There are particular concerns about the level of voter participation among younger people and lower socio-economic groups which raise difficult questions about the capacities of our political systems to respond to the social challenges of the new age. There is also a growth of support in many Member States for parties on the extreme Right and Left of the political spectrum, reflecting rising discontent with the existing political system and its perceived failure to address popular concerns. The extremes tend to draw support from people who have been the losers from economic transition, especially from the old industrial economy to the knowledge and service economy of today. The trend to individualisation has clearly enlarged personal freedom, but at what cost, some ask, in terms of values?

The divorce rate has virtually doubled in a single generation. 15% of marriages entered into in 1960 have so far ended in divorce: but this is true of 28% of marriages entered into in 1980. The pattern of divorce follows more of a 'religious v secular' pattern than that of fertility. The Member States with the lowest divorce rate in 2003 in rank order were Ireland, Italy, Greece, Spain, Poland and Slovenia; the Member States with the highest were the Czech Republic, Lithuania, Estonia, Belgium, Denmark, and the UK.

Marriage is no longer a good indicator of relationship stability (if it ever was). More people have at some stage lived with a partner without being married. Of the 60s generation, 60% of Danes and Swedes now in their 50s told the European Social Survey they had at some stage done so – in contrast to less than 1 in 8 Greeks, Portuguese, Poles and Spaniards and about a quarter of Brits and Germans.

Couples living together today are increasingly prepared to have children without getting married first. Over a quarter of children are born outside marriage: ranging from a high of 56% in Sweden (40% plus in Denmark, France, Finland and the UK) to less than 1 in 10 in Italy. However the proportion of Italian births outside marriage has doubled since 1960.

There is much debate about how to interpret these trends. Some scholars take the view for example that *'rising divorce rates do not reflect a flight from marriage, so much as rising expectations for satisfaction in marriage'.*[18] And there is evidence that people are looking for

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17 Jerzy Bartkowski and Aleksandra Jasinka-Kania, 'Voluntary Organisations and the Development of Civil Society' in European Values at the Turn of the Millennium ed by Arts and Halman (2004).

18 This is the view of A Skolnick, 'Change of Heart: Family dynamics in historical perspective' in Cowan and alii. Family, Self and Society , Laurence Erlbaum Associates, 1993.

more from marriage in terms of the quality of relationships with their partners than they might have been in the past.

Individualisation together with greater occupational and geographic mobility appears to be weakening the hold of the extended family across Europe:

- The length of children's dependence on their parents varies according to national university systems and employment prospects, where sometimes studies can extend into the early thirties. Only half of children continue to live with their parents up to the age of 25 and only a fifth to the age of 30 across the EU25.

- 1 in 8 adults live on their own, even in the prime of life – up by half in two decades.

- Also, as family structures weaken and divorce become more common, many grandparents lose contact with their grandchildren. Only a quarter of grandparents care for grandchildren on a regular basis and half had not cared for them on a single occasion in a twelve month period.

Increasingly, many Europeans are tolerant of diverse sexuality and lifestyles. For example nearly half of the Danes, who came to adulthood in the 60s, 'strongly agree that gays and lesbians should be free to choose to live as they wish'. The Belgians, Czechs, Dutch, Finns, French, and Swedes tend to agree. A large majority of Southern Europeans and the Poles do not.

The European Values Study attempts to measure permissiveness across a wide variety of dimensions. Homosexuality emerges as a more controversial issue than divorce, euthanasia or abortion, but there is more tolerance of it than marital infidelity, cheating the tax or benefits system, drug taking or drunk driving. The Atlas of European Values concludes that permissive attitudes are not as widespread as some imagine and that there is no evidence this leads to a wider moral decline[19].

The overall conclusion of the Atlas of European Values is that *'the US is not the prototype of cultural modernisation: it has a much more traditional value system than any other advanced industrial society'*. Rather the study concludes that when it comes to self development and personal autonomy, Sweden and the Netherlands score the highest: they have advanced the furthest in the direction of modernisation and post-materialism. *'Europeans do not have to look over the ocean, but to the North to see their future'*[20]

2. MEASURING EUROPEAN WELL-BEING IN THE POST INDUSTRIAL AGE

Subjective analyses suggest high levels of life satisfaction in Europe as Chart 2 shows. The April 2006 Eurobarometer found that 81% of EU25 citizens express themselves as satisfied with their lives, as against 19% who were not. Surveys of life satisfaction regularly show the highest levels to satisfaction to be with the family, home, social life and relationships with friends and colleagues. But satisfaction with neighbourhood, health and job are only slightly behind.

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19 Atlas of European Values.op cit. p 108.

20 Op cit, Page 128.

Life satisfaction is highest in Denmark, Luxembourg, Sweden, the Netherlands and Ireland. In the EU 15 it is lowest in Greece, Italy and Portugal. It is significantly lower in the former East Germany compared to the West; and in the New Member States, thirteen points lower on average than in the EU15. It is significant that Bulgaria and Romania, alone of the New Member n States, contain more people dissatisfied than satisfied with the lives they lead.

According to the Social Situation in Europe, the only significant measure on which the measure of life satisfaction drops relates to the individual's 'financial situation'. On that only 68% profess themselves satisfied. Significantly, that figure drops to a low of 17% among those who express themselves dissatisfied with their lives. The poorer the country, the more likely that the individual's 'financial situation' will affect life satisfaction.

Life satisfaction is not quite the same as happiness. But by comparison with most of the rest of the world, Europeans emerge as a happy lot. What are the characteristics of happy people? Evidence from the Atlas of European Values suggests that those married, living together or never married are significantly happier than the separated divorced or widowed; that the under 45s are a bit happier than the over 45s; and that women without children are slightly happier than those with them, while the opposite holds true for men. And these contrasts generally hold well whether countries are rich or poor.

On other hand money appears to make some difference. In the generally 'happy' Benelux countries, 53% of high earners declare themselves happy, but only 32% of low earners. Comparing Member States, the numbers declaring themselves to be very happy -all over 40% -are highest in Northern Ireland, the Netherlands, Denmark, Ireland and Belgium (all generally speaking prosperous small welfare states) while all of Central and Eastern Europe scores at less than 20%, but so also, interestingly, do Germany, Spain and Portugal[21].

Subjective surveys of life satisfaction and happiness however have weaknesses as a tool of social analysis. The ability to be happy is as much something we are born with ('in our genes') as in our social situation and this may in part explain why in rich countries at any rate, subjective measures tend to change very little over time. Also individual expectations of happiness and satisfaction are conditioned by the societies in which people live: a better set of social arrangements might make people more satisfied and happy than they could possibly be themselves aware. As the economist and social theorist Amartya Sen has pointed out, some slaves were happy because they could not imagine a life of freedom, but that is hardly a good argument for slavery.

There is a huge academic literature on the measurement of well-being and 'social quality' and this work is supported by international bodies such as the UN, World Bank and OECD[22]. The issues raised will be subject of a more detailed study by BEPA.

Economists have tried to adjust GDP data in order to measure welfare. The point is often made to show that higher levels of GDP in the United States than Europe do not necessarily demonstrate higher levels of well-being. The reasons for discounting parts of US GDP typically include greater expenditure on central heating and air conditioning due to greater extremes of weather; car journeys made necessary by the lack of public transport alternatives; much higher expenditure than Europe on prisons, police and a highly controversial (and some

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21 Atlas of European Values op cit p116-118.

22 Stefan Bergheim of Deutsche Bank Research authored a useful summary note 'Measures of Well-being' (September 2006). Also see Romina Boarini, Asa Johannson and Marco Mira d'Ercole 'Alternative Measures of Well-being' OECD Social, Employment and Migration Working Papers 33 (2006).

would say failing) criminal justice system; the costs of litigation due to lower trust-based relationships; and the inefficiencies of the US health system[23].

Social policy analysts have looked for measurable indicators of social progress. For example, the UN's Human Development Index, which is a composite of GDP, schooling and health, is a useful tool in measuring the relative progress of developing countries. It does not however have much value in comparing developed countries.

Within the EU, an indicators approach has been accepted by the Member States as part of the monitoring of social inclusion. Within the Commission, DG Research has backed the project of the European Foundation of Social Quality to examine the feasibility of establishing social quality indicators. So far this has led to a comprehensive listing of indicators by researchers under the four headings of socio economic security, social cohesion, social inclusion and social empowerment[24]. The precise definition of indicators is of course highly contestable. To take one example, in assessing socio-economic security and the crucial employment dimension to this, is it legal security in one's existing job that matters or employability in future jobs? Also questions of sustainability cannot be ignored.

The present paper adopts a more impressionistic and selective approach. A simple measure of human well- being may well be the number of 'happy life years' that citizens enjoy[25]: a combination of subjective enjoyment of life with its objective length.

On both subjective assessments of happiness and the objective facts of life expectancy, Europeans have something to be optimistic about. The most advanced of our Member States score highly on happiness. In the EU 15, the twentieth century saw the biggest recorded advance in life expectancy in human history:

- Life expectancy at birth increased from 43.5 for men and 46.0 for women at the turn of last century to 75.4 and 81.4 at the turn of this.

- Life expectancy has improved at a steady rate by an average of 8 years since 1960.

- For 2050 the projections forecast life expectancy of 82.3 for men and 87.4 for women.

The rise in life expectancy in twentieth century Western Europe has been an extraordinary social achievement. In the early years of the century, much of the improvement reflected the conquest of infant and child mortality. The middle of the century saw the invention of penicillin, the elimination of extreme poverty that the welfare state brought about, better food and diet, and the virtual disappearance of mass killer diseases such as tuberculosis. More recently, we have seen big declines in premature death from heart attacks, strokes and cancers.

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23 See Andrea Boltho 'What is wrong with Europe?' (1993) who discounts US GDP by 7-8%. See also Robert J Gordon 'Issues in the Comparison of Welfare between Europe and the United States' (Venice Summer Institute, July 2006) which concludes that measured GDP per capita understates European welfare relative to the US by about 44% of the EU/US gap.

24 Indicators of Social Quality: Outcomes of the European Scientific Network by Laurent J G van der Maesen and Alan C Walker in the European Journal of Social Quality, Volume 5.

25 For this concept we are indebted to a number of papers by the Dutch expert, Ruut Veenhoven, particularly 'Subjective Measures of Well-being' United Nations University. Discussion Paper No 2004/07 (April 2004).

What does this mean? Unlike in nineteenth century Europe, death is no longer ever present in the home. Far fewer adults are cut down in the prime of life. The emotional and material scars of widowhood, or being an orphan, once commonplace, are now very much rarer.

The US by contrast has delivered poor life expectation for its wealth – no better than the average for the EU25 which is pulled down by relatively lower life expectancy in the new Member States. In 1980, the US ranked sixteenth in the world , and in 2000 it ranked twenty-seventh, behind Greece and Costa Rica' in the World Bank's assessment of Development Indicators in 1980 (173 countries) and 2000 (191 countries).

But what are the factors that could make our lives longer and happier still? This is what we examine in the remaining sections of this paper.

3. ISSUES IN RAISING SOCIAL QUALITY

3.1. Employment opportunity

Along with a successful long term relationship, having a job, if you want or need one, makes a crucial difference to life satisfaction. Here Europe is doing better than in the recent past. The employment rate has risen some 4% since the millennium, especially among older workers, but at 64.7% is still way below the Lisbon Strategy's 70% target for 2010. The general position has improved in Italy, Spain, and in France among older workers.

Unemployment however remains the top political concern in a big majority of Member States: this is in marked contrast with the UK where a recent MORI poll put unemployment 10th at only 21% in a ranking of issues that would help people decide which party to vote for at the next election. Eurobarometer however consistently shows around half of European citizens naming unemployment as one of the two most important issues facing their country – more than double other issues such as crime, healthcare or immigration.

Some regions and groups remain particularly hard hit by unemployment:

- Youth unemployment at 18.7% across the EU is double the unemployment rate overall. It is over 20% in France, Italy and Spain and around 40% in Poland. It is significantly higher for women than men in France and Southern Europe.

- Unemployment rates vary much more *within* most Member States than between them. In 2003, 11% of the EU15 workforce – more than 19 million people - lived in regions with more than 15% unemployment. In contrast fewer than one million in the United States live in counties with the same level of unemployment: this contrast is a striking illustration of the impact of different welfare systems and attitudes to mobility.[26]

- Among 55-64 year olds, over 40% of men and nearly 60% of women have dropped out of the labour market. Comparing 1971 with 1999, the employment activity rate for 55-64 year old men fell from 73% to 39% in France, 77% to 48% in Germany, 79% to 49% in the Netherlands, 82% to 62% in Portugal, 83% to

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26 JF Kierkegaard, 'Outsourcing and Offshoring: Pushing the European Model over the Hill, rather than over the Cliff', International Institute of Economics (March 2005).

52% in Spain, 83% to 67% in Sweden and 83% to 59% in the UK: in sum by a large amount in most EU5 Member States and dramatically in some[27].

The concentration of high unemployment and low activity in particular regions and at either end of the age range suggests that are strong institutional barriers to equal access to employment opportunity in many Member States. Progress in overcoming these barriers and raising employment rates remains fundamental in terms of social justice. Having a job is of proven importance to individual perceptions of life satisfaction and happiness. It also mobilises for society idle wealth (*and welfare)* creating potential that can be used to address some of the other social challenges outlined in this paper.

3.2. Are people satisfied with the jobs they have?

The survey evidence suggests that most people are happy with their job, even when they are short of money. 84% declare themselves very satisfied or fairly satisfied with their working conditions.

Europeans famously work short hours. Annual hours worked per employee were an average of 1552 in 2004, by contrast with the US figure of 1817: six weeks a year less on the basis of a 36 hour week. In 1960 the position was reversed with Europeans working 2082 hours per year and Americans 2033[28].

At the same time working conditions in the EU have been continuously improving. Between 1994 and 2004 the incidence rate of fatal accidents fell by 38% and that of accidents leading to more than 3 days absence from work by 29%. Yet about 28% of the European workforce feels their health is at risk because of work or declare that they are suffering from non-accidental health problems caused by work or made worse by their current or past employment[29]. Many workers still feel their work has become less meaningful, hampers their health or is not satisfactory. What are the factors that lead to such stresses?

The European Foundation for the Improvement of Living and Working Conditions point to an increase in work intensity, complaints of backache and muscular pain as well as stress. The strength of employee concerns about occupational health and safety and the proportion of workers who say that their working hours are incompatible with family and social life are strongly correlated with dissatisfaction at work[30]. Stress at work may contribute to high rates of sickness absence, which is a problem in many Member States including Sweden.

What explains the fact that these adverse perceptions of work have not changed despite shorter hours, better safety and the decline of manual work? Structural economic change is giving rise to the need for a more competent labour force with higher skills; it may be forcing changes in work organisation, content and pace as well as requiring continuous restructuring of firms. The factors behind these pressures need to be better understood.

One factor could be a growth in job insecurity. Around 16 % of the European workforce is self employed, including many small farmers: outside agriculture the figure is around 13%, roughly double the proportion in the United States. Self employment is popular among older

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27 Anne-Marie Guillemard 'Continental Welfare States confronted with the end of career inactivity trap'. Programme for the Study of Germany and Europe Working Paper 01.5. Harvard University (January 2001).

28 Robert J Gordon op cit.

29 Work and health n the EU: a statistical portrait ISBN 92-894-7006-2.

30 Industrial Relations in Europe page 166.

men working as 'sole traders' in wholesale, retail, repair, construction and business service activities. The share has been stable and it is not necessarily indicative of stress or insecurity.

Part time work accounts for 18% of all European jobs across the EU and is heavily concentrated among women. Part time jobs can be popular where they help reconcile 'dual earner' households with the demands of childcare, but this popularity is socially conditioned as part time work is much less prevalent where childcare is more comprehensive as in the Nordic countries and employment rights are more family friendly. Only 18% of part timers in the EU 15 say they work part time involuntarily, though the level of complaint is higher in France: as better child care is available in France, part time work is not automatically perceived as the best means available of reconciling work and family life. Part time work is much less common in parts of Southern Europe, where the absence of part time options may increase the stress of managing work and family and diminish well-being.

A more obvious cause of insecurity is the increasing number of employees - about 14%- on fixed term contracts. These are broadly spread across the occupational range and not just concentrated on low paid jobs. Over half fixed contract workers would have preferred a permanent job if they could get it. Fixed term contracts account for a fifth of jobs in Portugal, a third in Spain – and have grown rapidly in some new Member States – in Poland to over a quarter of all jobs. In Germany there has also been a growth of part- time, non-standard jobs outside the normal rules of the social insurance system.

This growth of non-standard work, together with high levels of unemployment concentrated among the young and old, is indicative of dual labour markets with strong 'insider/outsider' divisions. The unanswered question for necessary labour market reform in many Member States is how labour market protections shift from guaranteeing security to a core of the workforce, to offering genuine opportunity combined with 'flex-security' for all as argued in the recent Commission paper on the 'Modernisation of Labour Law'.

More generally, the shift to the knowledge economy may increase perceptions of insecurity. Old jobs are lost and new jobs created at an ever faster pace. A Eurobarometer showed that while 23% of retired workers and 21% of the over 55s had never changed employer, the figure was only 16% for all younger age groups[31] - when logically the figure should be higher if there was no change in trend towards greater job changing over time. Some estimate that 10-15% of the existing stock of jobs is lost each year. 'Good' industrial working class jobs, often in unionised large firms, are disappearing and tending to be replaced by 'Big Mac' service jobs that are perceived as offering little status or prospects. There is a need to change these perceptions by demonstrating how taking these types of jobs at the bottom of the labour market can be a first step on a genuine ladder of opportunity.

Trade union density has fallen in the last decade – in Britain and Germany by about a quarter; in Italy and the Netherlands by over 10%. In the New Member States it more than halved. Only in the Nordics has union density been maintained. There is a huge issue for the trade unions in how they make themselves relevant to employees in private sector services and small and medium sized businesses and among younger workers.

As Europe becomes more of a knowledge economy, and as the workforce becomes more highly educated and skilled, for the majority jobs should become more satisfying, more autonomous and less routine, with more focus on teamwork and less on hierarchy. This

31 Special Eurobarometer 261 (2005).

should result in a gradual shift from instrumental to intrinsic motives at work. Surveys show that better educated, higher income people do indeed have more of an intrinsic orientation, though instrumental motives tend to be more important for younger people trying to build a career and home. But not all jobs can be made intrinsically rewarding. There is an issue of 'respect' in our societies for those in poor quality jobs. Also if education is increasingly the gateway to a decent job, this message can come across as extremely threatening to those groups in society who have traditionally failed in the education system.

3.3. Access to educational opportunity

Education in the knowledge and service economy makes a huge difference to employment prospects.

- The better educated you are, the less risk that you will become unemployed. In 2004 the unemployment rate of 25-64 year olds with a tertiary educational qualification was only 4.7% compared with 8.3% for people who ceased formal education at upper secondary level and 11.2% among those who had not progressed beyond lower secondary education.

- People with tertiary education earn 120% of their national median. Only 7% were at risk of poverty compared with 20% of those with low level education.

In the old economy early school leavers could get by: in the new economy it is an almost certain guarantee of losing out. Despite some recent improvement, one in six 18-24 year olds are still not in any form of education or training and had left school early. Here there are striking contrasts between Member States:

- The rate of early school leaving is about half the EU average in Austria, Denmark, Finland, and Sweden.

- Britain is about average, with France, Germany, and 16 other EU25 Member States below it.

- What pushes up the average is a very poor performance in Southern Europe: Italy (22%), Spain (32%), and Portugal (39%).

- The new Member States fare particularly well: 88% of their 20-24 year olds have a least an upper secondary qualification, compared with 62% in Spain, 73% in Germany and Italy, 76% in the UK, and 80% in France.

- In every single one of the EU25, boys are leaving school earlier than girls.

On a long view, the younger generation is better qualified than its predecessors: 77% of all 20 -24 year olds in the EU have reached at least upper secondary standard compared with only 57% of 50-64 year olds. But that still leaves getting on for a quarter who have not.

For all the ground still to make up, Southern Europe has seen the fastest rate of progress. Take the numbers achieving upper secondary standard. If one compares 50-54 year olds with 25-29 year olds, the Portuguese figure shot up from 12% to 32%; the Spanish from 19% to 58%; the Italian from the 30% to 58% and the Greek from 32% to 70%.

However, in some Member States, educational performance appears to be static or even in decline[32]. Fewer young people attained the upper secondary standard in France and Sweden in the 1990s than in the 1980s. The figures for Denmark, Germany, Ireland, Poland and the UK show little progress as Chart 3 shows.

University numbers are rising in most Member States but between the two decades the numbers attaining tertiary qualifications actually fell in three Member States – Austria, the Czech Republic and Germany as Chart 4 shows.

Another concern is some evidence that young Europeans going to university shy away from difficult technical subjects such as maths, physics and engineering – perhaps because they see the monetary rewards of the knowledge economy being more readily available in other less demanding fields.

The resources devoted to education may be a problem in some Member States. This is particularly true of universities where student numbers have exploded, public funding has not kept pace and there is strong resistance to tuition fees. Declining birth rates may allow education spending per head to rise, but a big risk for Europe is that the public spending pressures from the ageing society 'crowd out' the investment necessary in education to guarantee access and opportunity in the knowledge society.

School systems within Europe were designed for the relative homogeneity and social order of the post war industrial society. In many cities they now face the challenge of ethnic and language diversities and at the same time in some Member States have to cope with the impact of 'white flight' which the Netherlands openly acknowledges to be a major issue[33]. In addition schools have now become a repository for many of society’s ills: in some neighbourhoods, they have to bear the brunt of the consequences of poor parenting, dysfunctional children, cultural alienation from authority and lack of respect. When education matters so much, parents are naturally desperate to find good schools for their children but the exercise of legitimate choice poses a huge challenge for achieving high standards on a universal basis.

Some pessimists will argue that in the knowledge society a significant section of the population is condemned to a diminishing supply of unskilled work because they lack the capabilities to acquire skills. This may be true of a small minority with genuine learning difficulties (unless society makes determined efforts to offer targeted support and facilitate their integration into the labour market). But the facts do not justify pessimism. Consider the comparative performance of Member States in attaining basic reading proficiency on the internationally comparable PISA scale. Why has it been possible for the Finns to have reduced the number of pupils without basic reading proficiency to 5.7% (and only 2.4% for girls) and the Dutch and Irish to 11%, when the EU as a whole still averages an unacceptable 19.8%? The figures cannot be explained by differences in intelligence, but only by differences

32 Frans van Vught 'Youth, Education and the Labour Market' Cheps (Center for Higher education Policy Studies), University of Twente, Enschede, The Netherlands, September 2006.

33 See 'Choosing Segregation or Integration: the Extent and Effects of Ethnic Segregation in Dutch Cities' by Sjoerd Karsten, Charles Felix, Guusve Ledoux, Wim Meijnen, Japp Rooleveld and Erik Van Schooten. Education and Society Vol 38 No2 (February 2006). Their research shows that a quarter of Amsterdam schools are ethnically unrepresentative of the areas they are supposed to serve.

in the performance of national education systems that ought in principle to be capable of mutual learning and remedy[34].

3.4. Social mobility: the transmission of life chances to future generations

Most of us think of our societies as having seen tremendous social mobility in the past two generations as a result of the massive expansion of education and changes in occupational structure. The question is whether in the next generation social mobility will decline.

Education is the gateway to social mobility. Yet research shows that there are very large family background effects on school achievement. This is more about a family's cultural capital than its income level. The country where maths and science comparative performance is most influenced by books in the home is England: where it matters least is France, which is a tribute to the French school system in countering family background effects.[35]

But this is less true the higher up the education system one goes. If one compares the proportions of students going to university from graduate homes as opposed to those from homes with no educational qualifications, there is a huge gap which cannot be accounted for by intelligence[36]. In France the figure for 1994-95 was 66% as against 20%; in Italy 60% as against 18%; in the Netherlands 40% as against 18%; in Sweden 55% as against 15%. Chart 5 gives figures for youths participating in tertiary education by the educational background of their parents.

The lifelong learning process is also equally biased to those that already have more education and this has a reinforcing effect on educational inequalities as is demonstrated in Chart 6.

There are studies that compare the life fortunes of sons born in the late 50s and early 60s. In terms of correlations with their fathers' earnings, within Europe the UK shows the highest, the Nordics the lowest and Germany is midway between[37]. Table 3 shows some figures for internationally comparable estimates of Inter-generational Mobility.

There is also evidence from the United Kingdom that intergenerational mobility is declining over time. Sons born in 1958 with fathers in the top quartile of the income distribution had a 35% chance of themselves being in the top quartile by the age of 30. But sons born in 1970 had a 42% chance of being there by the age of 30. Conversely if one examines the bottom quartile of the income distribution, sons born in 1958 to fathers in the bottom quartile had a 31% chance of ending up there by age 33. But for those born in 1970 the chance had increased to 38%[38]. It is important to find out whether there is evidence of declining intergenerational mobility in other Member States.

Some social scientists believe that such a decline may well be a feature of modern societies, given the increased importance of education in life chances, the increased tendency for highly educated people to marry and partner together, and the greater time commitment that

34 Our attention was drawn to this point by a brilliant paper by Gosta Esping Andersen 'Families, Government and the Distribution of Skills'.NETSPAR- CPB Conference (April 2006).

35 G Scheutz, H Ursprung,and L Woessman 'Education Policy and Equality of Opportunity' CESifo Working Paper 1518 (2005).

36 Stephen Machin 'Social Disadvantage and Educational Experiences' OECD Social, Employment and Migration Papers (2006) Fig 2, p 12.

37 Jo Blanden, Paul Gregg and Stephen Machin 'Intergenerational Mobility in Europe and North America' LSE Centre for Economic Performance (April 2005).

38 Blanden, Gregg and Machin op cit page 8.

professional fathers today devote to their children[39]. None of these trends are in themselves undesirable, but they do suggest that in the knowledge economy, unless corrective mechanisms are put in place, our societies may become more unequal and polarised.

3.5. Demography and the 'ageing society'

The recent Commission Communication on Demography outlines the three fold challenge facing Europe: the 'baby boom' generation reaching retirement, increased life expectancy and the fall in the birth rate, further stretching the dependency ratio between the active and retired.

The proportion of the EU 25 population over 65 is forecast to rise from 15.7% in 2000 to 22.5% in 2025 and 29.9% in 2050, contrasting with 9.1% a century earlier in 1950. The proportion of over 80s is expected to triple to 11.4% in 2050. The change in projected dependency ratios is shown in Table 2. The ageing population raises major public policy issues relating to the sustainability of pensions, the rising costs of health and care for the elderly and the drag on potential growth in Europe as the social burden is assumed to rise. According to the best estimates comprehensively made by the Economic Policy Committee and DG ECFIN, by 2030 age-related public expenditure on pensions, health and long term care is forecast to rise from 17.9% of GDP at present to 20.4% in the EU25 and 20.7% in the EU15. By 2050 it will rise a further 1.8%. Among the big Member States, there is a wide range of projections. On unchanged policies, the public costs of pensions will rocket in Spain and plummet in Poland. In Italy the total public spending costs of ageing are expected to be more moderate at an additional 2.4% of GDP than in France (3.8%), Germany (3.9%) or the UK (4.7%).

As against these looming economic challenges, the social reality of the present is that older people, at least in the EU 15 can look forward, to a long and relatively comfortable retirement. But there are issues of poverty for a minority, mainly women. One in six over-65s in the EU are still count as poor – some 12 million people and over a quarter of old people living alone are poor. As poverty is calculated as a relative measure within each Member State, the incidence of old age poverty is lower in some of the new Member States (for example only 6% in Poland) than in Ireland (44%), Greece (33%), Portugal (30%), Belgium (26%) and the UK (24%).

A far wider group is affected by problems of loneliness and the need for care. 28% of people at the age of 70 already live alone and the figure is over 40% by the time people are in their 80s. Between a third and two thirds of over 75s are already dependent on some form of informal care, varying between Member States.

This puts pressure on the extended family, which may not be able to bear the strain. As the demand for care grows, so the children of the very elderly (who themselves are in their 50s or 60s and have fewer siblings to share the responsibility of care) will at the same time be expected to stay in jobs longer in order to improve pension sustainability. This is likely to be a new source of pressure, mainly on late middle aged women. Yet the commodification of care does not substitute for meeting the emotional needs of the cared for and carer[40].

39 Gosta Esping Andersen (op cit page 13) refers to work in support of this point by S Bianchi in Demography 37 (2000) and in Social Inequality ed K Neckerman (2004) and M Deding and M Lausten 'Choosing between his and her time' Danish Institute for Social Research (March 2004).

40 Susy Giullari and Jane Lewis 'The Adult Worker Model, Gender Equality and Care'. Social Policy and Development Programme Paper Number 19, United Nations Research Institute for Social Development (April 2005).

The extended family is still strong in Southern Europe, where getting on for a fifth of all households still contains three generations, while the equivalent figure for Finland and Sweden is barely over 1%. But will it withstand for much longer the pressures to stay in work longer and be mobile, the demand for gender equality and the value shift to individualisation? In caring for the elderly we need a richer debate about the relative responsibilities and roles of the family, local community and state.

3.6. Family life and well-being

In the EU 15, the birth rate has held up best and women's participation in the labour market is highest, where access to childcare is easiest.

- In France, Belgium and the UK the fall in the fertility rate has been tiny and it has risen a little in Luxembourg and the Netherlands.

- In the Nordics, the fertility rate has risen in Denmark and Finland but fallen a little in Sweden.

These Member States have a variable mix of child benefits, child care and flexi security to promote the availability of part time work that appear to enable women to have more children more easily. The Netherlands has the highest rate of female part time work in the Union. For children aged 0-3, the Member States with the highest childcare coverage rate are Belgium, Denmark, France, the Netherlands and Sweden – all over 35%. The Member States with the highest public expenditures on day care are Denmark (1.7% of GDP), Sweden (1.3%), Finland (1.2%), France (0.7%) followed by Austria, Germany and Greece on 0.4%. In most other Member States coverage is patchy and public expenditure appears to be minimal.[41] This is strongly suggestive that public policies can make a difference to fertility.

The 'dual earner' household is more and more the social norm that determines decisions about whether and when to have children. Making the 'dual earner' model work successfully is now a central issue for family policy in Europe. All the issues surrounding it such as work life balance and the sharing of responsibilities within the home matter in terms of relationship stability, gender equality, and the alleviation of child poverty. Not least the issue poses a huge question for the economic and demographic sustainability of European societies.

3.7. Poverty and its impact on access to life opportunities

Paradoxically, given the challenge to sustainability that this paper has just outlined, across the EU, households with children are generally worse off than households with no children. On an equivalised basis, two adults below 65 living together without children have an average income some 25% above the mean.

And poverty affects children more than any other group. There is of course an unresolved debate about what one means by poverty which affects how one might design policies to tackle it. For many people poverty means some form of absolute deprivation. We know what poverty is when we see it in real life or on our television screens in Africa and India. But in the EU there is no absolute standard of poverty across all Member States – though we know that in some of the New Member States, particularly Bulgaria and Romania, there is a high level of absolute deprivation among at least a quarter of the population. The measure that the

41 DG EMPL 'Reconciliation of Work and Family Life (September 2005).

EU uses of poverty is a relative one: 60% of median income in each Member State equivalised according to family size. Someone defined as living in poverty in Sweden may well be better off in absolute terms than someone on median earnings in Estonia. What's more, a poor person who counts as statistically poor in a Member State such as Ireland, with rapidly rising living standards, may not feel poor as they may well be a lot better off than they once were.

Nonetheless relative poverty matters, especially if it persists. It implies an inability to participate in society on a basis that the majority in that society take for granted. For a parent it can mean the heartache for one's children of being unable to afford what their peers take for granted. For all the 'relative poor' it can mean social isolation from the norms and habits of everyday society.

For all these qualifications, the statistics show that Europe has a serious poverty problem. In all 72 million EU25 citizens -15%- are at risk of poverty, with another 36 million on the verge of that risk[42]. No fewer than half of the people living in a low income household had an income more than 23% below the poverty line. Table 4 shows 'at-risk-of-poverty rates' by household type.

- 12 million of the 72 million poor are elderly.

- There is also significant poverty, as measured by income statistics, among single under-30 year olds living alone. This is concentrated in Northern Europe - for example among under-30 year olds, 37% in the UK, 42% in Germany, and 49% in the Netherlands count as poor. But this is a snapshot of poverty and tells us little about its dynamics. If poverty is a short term experience it matters less than if it persists. Some of the poverty among single young people may well be found among students and ex-students, who have left the parental home, most of whom will eventually find their way in the world.

- 9% of the EU's population - or 35 million people – have been living in a low income household for at least two of the preceding three years. This will include many of the poor elderly.

- The risk of poverty however is concentrated among families with children. Nearly 20% or 18 million of the EU's 94 million under 18 year olds are at risk of poverty: and to them we have to add their parents. The last three decades have seen a pervasive increase in child poverty rates which in all Member States are higher than poverty rates among the population as a whole.

Children with the highest risk of poverty live in *single parent families.* These account for only 4.4% of all households in the EU, but a third of them are at risk of poverty. By far the highest proportion of single parent households anywhere in Europe can be found in the UK (at 8.4%). In the UK, the risks of single parenthood are compounded by high rates of teenage pregnancy, which are hugely damaging to life chances and result in large numbers dropping out of school. Only 10% of teenage mothers attended post compulsory education, as opposed to 50% for other female teenagers[43].

42 Using a poverty threshold of 60% of median income. Setting the threshold at 70% would increase the 15% to 24%. Social Situation in Europe (2004).

43 National Child Development Survey.

Child poverty is also prevalent in *jobless households*. Across the EU, 10% of all children live in jobless households. Again the UK has the highest level recorded of any Member State: 1 in 6 children grow up in jobless households. In the EU15 as a whole 60% of those children are at risk of poverty. But in Belgium, Germany, Ireland, Portugal and the UK the risk is over 70%.

The child poverty rate in *large families* is also high where mothers are full time carers and the male breadwinner is low paid. Around 6% of all employees in the EU 25 are at risk of poverty. Poverty in large families tends to be concentrated where large families are now least popular: Greece, Portugal, Slovakia and Spain. Poor children also tend to live in households with parents working in insecure, temporary and low paid employment or who are migrant children or from ethnic minorities, especially the Roma.

Poor children experience a disproportionate share of deprivation, disadvantage, bad health and bad school outcomes. When they grow up, they are more likely to become unemployed, to get low paid jobs, to live in social housing, to get in trouble with the police, and are at a greater risk of alcohol and drug abuse as young adults. Moreover, in most countries, they are likely to transfer their poverty of opportunities to their own children. This has an economic, social and political cost which in a rational world should be set against the public expenditure costs of early interventions (assuming such interventions can be made effective) to reduce the risks of future negative outcomes and social exclusion[44].

Too many Europeans throughout the EU25 live in poverty, are on the verge of poverty and stay in poverty for a long time. Public opinion surveys suggest there is some appetite for change. 40% of Europeans think poverty is either inevitable or the result of bad luck, and 18% put it down to laziness, but 31% believe it reflects injustice (10% higher in France and Sweden, 10% lower in the UK). For poverty amongst children there is a proven link with life chances and the growing risk of disadvantage becoming embedded through the generations. The question is what mix of classic income redistribution and targeted intervention is best able to reverse these trends.

3.8. Does inequality matter?

As long as relative poverty is reduced in relation to median income, does it matter if incomes at the top race ahead? In other words does inequality per se matter?

High levels of inequality and poverty go together. In Europe the most equal societies have the least number of poor: the most unequal societies have higher concentrations of poverty risk. If one measures inequality by the ratio between the earnings of the top quintile and bottom quintile, the Member State with the highest levels of inequality in the EU15 is Portugal (with a ratio of 7.2 against an EU average of 4.4), followed by Greece, Spain, Ireland, Italy and the UK: these also happen to be the Member States with highest 'at-risk of poverty rate after social transfers'[45]. Among the new Member States, the countries with the highest levels of poverty are also those - Estonia, Latvia and Slovakia – with above average measures of inequality.

What do we know about trends in inequality? The massive increase in inequality in the United States is clear and undisputed. But in Europe, using selective data[46], wage differentials (as measured by ratio between the cuts for the top and bottom deciles of the income distribution)

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44 See recent BEPA study 'Investing in Youth: From Childhood to Adulthood.' (October 2006).

45 The numbers at risk of poverty average 16% in the EU but are 20% in Portugal and Greece, 19% in Spain, 21% in Ireland, 19% in Italy and 17% in the UK.

46 John Hills, LSE Centre for the Analysis of Social Exclusion, Ralph Miliband Lecture on Inequalities. (October 2004).

appear to have widened between 1980 or thereabouts and the late 1990s in the UK, Germany, the Netherlands and Sweden. They have however narrowed in France and Finland. If one looks at Gini coefficients, which measure how far the distribution of income deviates from a theoretical assumption of absolute equality, a comparison of the mid-80s with the mid -90s in selected EU countries suggests a significant widening of inequalities in Britain, Italy, Austria and Belgium; some widening in Ireland, Denmark, Germany, Sweden and Finland; but some narrowing in France, the Netherlands and Luxembourg.

Gosta Esping Andersen believes that young people are bearing much of the brunt of this rise in inequality, *'facing an erosion of relative wages at all skill levels, while being hugely over-represented among the unemployed and those with precarious, short term employment contracts'*. OECD data suggest a decline of 7% in the relative disposable income of young adults, 60% of who are low paid in the Netherlands, UK and US and 40% in France and Germany[47].

This data on inequality in Europe is not comprehensive or standardised and shows no consistent pattern. But it is clearly a myth to believe that it only in the Anglo Saxon world that inequalities are widening. Surveys suggest that across many European countries, a clear majority of citizens believe the gap between rich and poor to be too large.

Anecdotal evidence suggests that incomes at the top have raced ahead in some Member States[48]. The CEO of a major British company is now paid a hundred times earnings on the shop floor. Twenty years ago the figure was thirty times. These facts fuel debate and give rise to questions: Is this justified by the fact that there is now an international market for top talent? Have companies based in other Member States lost out by not paying their CEOs as much?

The classic Rawlsian argument is that inequality is tolerable as long as the people who are worst off in society benefit from the incentives to greater wealth creation that inequality is assumed to provide. This is the classic progressive justification for a degree of inequality. More conservative social theorists would also stress the benefits to societal cohesion and culture from an established order of wealth.

Taking the Rawlsian argument however as the benchmark, inequality is justifiable to the extent it helps generate extra wealth that can improve the position of the poorest in society. Studies of 'who are the rich in Britain?' (which, on this issue in particular, may not be typical of other Member States) suggest a shift since 1979 in the sources of large fortunes. Then large fortunes were predominantly due to inheritance. Now three quarters arise from money being made in the City, wealth creation by people who start their own businesses and rich people from abroad who come to live in the UK[49]. This is suggestive of benefits that spill out into wider society – and it increases the potential for increased direct benefits to the poorest as a result of political choices over redistributive public spending finance made possible through greater taxable capacity.

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47 Gosta Esping Andersen op.cit p6.

48 There is some empirical evidence to support this in L Katz and D Autor, 'Changes in the Wage Structure and earnings inequality' in Handbook of Labour Economics ed by Ashenfelter and Card (1999) and P Gottschalk and T Smeeding, 'Cross national comparisons of earnings and income inequality', Journal of Economic Literature XXXV (1997) .

49 The Economist October 21st 2006 quoting work by Philip Beresford.

However rising inequality in Europe may nonetheless be of concern to Rawlsians for a number of reasons. First, there is lively debate about the extent of wealth 'trickle down'. In the United States there is now clear evidence that the benefits of recent economic growth have gone largely to the better off, particularly the top 1%. It is not clear whether this pattern is being, or is likely to be replicated in Europe. However, there is little doubt that in some Member States, for example Germany, median wages have been squeezed in the last decade.

Second, if the consequence of existing inequalities is to embed disadvantage between the generations, then society will lose out as social mobility declines and all the talents of the people are not developed to the full. This is a particularly crucial point in the knowledge economy where the ability of parents to buy educational advantages for their children, for example through moving house to an area with good schools, becomes more decisive.

Third, some social scientists believe[50] (on the basis for example of comparisons between different US States with varying levels of inequality) that the more unequal a society, the more psycho social stresses it will experience as a result of the greater personal insecurity and loss of self esteem that people feel as a result of losing out in a positional struggle. So in more unequal societies, the greater will be problems of relationship instability, with relevance to the life chances of children; the risk of drug taking and mental illness; the propensity for people to resort to crime; and the prevalence of the diseases of relative affluence such as alcoholism and obesity.

3.9. Access to good health

Rising life expectancy is one measure of good health – but perhaps a better measure is the number of 'healthy' life years that people enjoy. 'Healthy life years' are a function of both life expectancy and how many years full enjoyment of life is disabled by serious illness.

Within the EU there are wide variations in life expectancy by Member State and social category. Among Member States, for men Sweden is the best performer at 77.9; for women it is Spain at 83.7. There is a relatively strong relationship between rising national income and life expectancy. Spain fares better than its GDP level would predict and Denmark significantly worse. Hungary performs worst for both men and women – 68.4 and 76.7 respectively. In Hungary 40% of male deaths are under 65 and life expectancy for the Roma is ten years less than the national average.

When it comes to healthy life years, Italy comes out top – 92.2% of life for men and 89.7% for women. Finland is here bottom of the league on 76.3% and 69.1% respectively. In maximizing good health, reducing unhealthy behaviour clearly has a role to play. Danes for example are much heavier smokers than Swedes: 34% are daily smokers as against 18% of Swedes.

Expenditure on healthcare has been rising steadily throughout the Union during recent decades, despite a temporary slowdown in the rate of growth during the 1980s. Total spending on healthcare in the EU now ranges from 5.0% of GDP in Latvia to 10.9% in Germany, but the differences between countries in expenditure levels are narrowing, perhaps reflecting a ‘harmonisation of expectations’.

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50 These views are brilliantly encapsulated in Richard Wilkinson’s 'The Impact of Inequality' (Routledge. 2005). and Avner Offer’s 'The Challenge of Affluence' (OUP 2006).

Many commentators express doubts about the ability of EU countries to maintain these healthcare systems under pressure from demographic ageing. Yet public expenditure on health care is only projected to increase by between 1 and 2 percentage points of GDP due to ageing in most Member States between now and 2050 – a relatively small amount in comparison to the total increases since 1950. And if the proportion of lifetime spent in good health can be maintained as overall life expectancy increases, these additional costs could be halved – underlining the importance of focusing on healthy years of life.

Moreover, improving quality in healthcare holds out the potential of improvements of a similar order of magnitude to these projected increases due to ageing. There are wide variations in healthcare outcomes across the EU – for example, five year survival rates for bladder cancer range from 78% in Austria to 47% in Poland and Estonia. However, realising these potential gains would require greater openness and cooperation between the different health systems of EU countries than currently exists.

Another potential for improvement lies in reducing the impact of social inequalities on health outcomes. A recent study of life expectancy in Italy concluded that regions where income inequality is high, such as Campania and Sicily, have a significantly lower life expectancy than regions where income inequality is comparatively low, for example the Marches and Umbria. Moreover the authors conclude that income inequality has an independent and more powerful effect on life expectancy than per capita income and education.[51].

Just as in the nineteenth century dramatic improvements in health came about as a result of public health and sanitation, today increasing attention is paid to the links between the environment and health – not just issues of air and water quality, but also the consequences of the accumulation of chemicals and their combined effects and other environmental risks. Recent years have seen a sharp rise in the so called 'diseases of affluence'. According to a Eurobarometer survey, 7% of Europeans had taken prescription drugs in the previous 12 months due to psychological or emotional health problems and 3% had received psychotherapy in that period (7% in the Netherlands)[52]. Professor Richard Layard believes that modest expenditures on improved mental health (in particular through greater availability of cognitive behaviour therapy), would have a high pay-off in terms of human happiness[53].

As for obesity, the health risks can be as large as from smoking. Yet a Eurobarometer Survey showed that half of 15 to44 year olds had indulged in no vigorous physical activity in the previous seven days and 40% had not even taken part in moderate physical activity like walking for more than 30 minutes[54]. When it comes to questions of smoking and obesity, and the costs imposed on health care systems, what role should personal responsibility play?

Some experts believe that these growing health problems are the consequence of the psycho social stresses that people feel at the bottom of the social pile in modern societies. For example three times as many poor children in the UK experience mental disorders as those from families in the top earnings quintile[55]. To what extent are the so-called diseases of affluence in truth diseases of inequality in modern societies?

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51 Roberto de Vogli, Ritesh Mistry, Roberto Gnesotto, and Giovanni Andrea Cornia 'Has the relation between income and inequality and life expectancy disappeared?' J. Epidemiol. Community Health (2005).

52 Special Eurobarometer on Mental Well-being (June 2006).

53 Richard Layard 'Happiness' (2004).

54 Special Eurobarometer on Physical Activity (December 2003).

55 Mental Health of Children, UK Office of National Statistics, (1999).

3.10. Quality of Life

If one had asked most Western Europeans in the immediate post 1945 era what worried them most about their quality of life, the chances are that housing would have featured large in their concerns, certainly in towns and cities. (In many rural areas the answer might have been lack of access to mains supplies of water and electricity, which in succeeding decades the expansion of 'services publics' triumphantly overcame). The combined effects of the destruction of war and the baby boom following it, resulted in acute housing shortages. On top of that, much of the surviving stock was insanitary and lacking in basic amenities. Over the succeeding quarter century the expansion of rented 'social housing' on a massive scale happened virtually everywhere in Europe as a pretty uniform response to this housing challenge. It provided decent homes at prices people could afford as a basic foundation of family life: for all the later problems of neglected estates and the 'banlieues' this was a considerable social achievement.

Today the salience of housing as a major 'quality of life' issue is much less high, though serious problems of access remain in some Member States or in fast growing regions within Member States (like London and the South East in the UK or the Madrid region in Spain) where in recent years there has been large inward migration. Rapidly rising house prices still have the potential to become a major social issue.

75% of Europeans now live in urban areas and the figure is forecast to be 80% by 2020. Urbanisation is spreading briskly, faster than urban population growth. It is estimated that the overall size of built up areas has grown by a fifth in the last twenty years, when the EU population only increased by 6%[56]. The amount of housing space per person has doubled in the last half century as a result of higher living standards, declining family size and the increasing tendency for Europeans to live alone. Higher housing densities as a result of more compact housing estates and more 'high rise' living might in principle be able to offset the effect on land use. But in the last decade alone the size of urban sprawl increased in Europe by three times the size of Luxembourg. This tendency has been particularly marked in the Cohesion Four. The building of new infrastructure such as roads and basic services, in part financed by the Structural Funds, has allowed 'out of town' housing developments to flourish. This pattern may well now repeat itself in the New Member States.

'Out of town' estates offer families a better quality of life in a greener, more spacious, safer environment. Britons are famous for their liking for suburbia, but commuting long distances to work has become common in the small towns, villages and woodlands of the 'rururbia' that surround many major European conurbations. While those able to access these privileges often think themselves fortunate, these trends do not necessarily enhance the quality of life for society as a whole. Urban sprawl results in more car journeys to work, to take children to school, to drive to 'out of town' shopping centres and to visit far flung extended families and friends. That in turn results in more congestion that causes economic loss, more energy use, more emissions that damage air quality and more CO_2 that speeds climate change. In addition rising affluence is still fuelling growth in car ownership, where there is scope for a considerable amount of catching up in the New Member States. As a result the demand for travel in EU urban areas is predicted to grow by no less than 40% between 1995 and 2030[57].

56 European Environment Agency Briefing 'Urban Sprawl in Europe' 04/2006

57 Quoted in European Environment Agency Briefing 04/2006 op.cit

As well as this trend to urbanisation and traffic growth, there is a parallel trend in the 'concretisation' of Europe's coasts. If one looks at how much of the land cover within 10km of the coast is accounted for by man-made artificial structures as against natural habitats or farmland, the proportion increased (in the 17 Member States for which figures are available) by 7.5% in the 1990s alone[58].

The European quality of life debate is full of contradictions and paradoxes. There is an understandable yearning for a better living environment for oneself and one's family that drives the pace of urban sprawl and environmental damage to our coasts. Yet alongside that, there is genuine rising public concern for environmental and 'quality of life' issues. These 'post – material concerns' first became significant political issues in the 1970s. Different events and causes seized the popular imagination in different Member States at different times. Common themes however were the 'Club of Rome' thesis that the earth was reaching the limits of exhausting its natural mineral and energy resources; recognition of the rapid disappearance of the world's wildlife, forests and other natural habitats; a realisation that some of the past environmental externalities of economic growth in terms of pollution and waste had been avoidable; loss of faith in science and the idea that new discovery automatically meant progress; and growing anti nuclear protest.

As Member Sates faced political pressure domestically to act on these rising 'quality of life' concerns, a political consensus was established at EU level behind a huge expansion of European activity in the environmental field from the mid 1980s onwards. The results are a powerful rebuttal to the EU's detractors. Take 'acid rain' and the 'hole in the ozone layer' – two of the greatest environmental concerns of the 1980s. From 1990 to 2002, emissions of acidifying gases fell by 43% in the EU15 and 58% in the EU10, half as a result of fewer emissions from energy producers, with above average reductions in Germany, the UK and Finland in the EU15 and in the Czech Republic, Slovakia and the Baltic States in the EU10. As for stratospheric ozone deleting substances, particularly CFCs, following the Vienna Convention in 1985 and the Montreal Protocol in 1987, Europe reduced its annual production of CFCs in the atmosphere dramatically from a measure of 460 in 1989 until it stabilised around 50 in the mid-1990s[59].

The same record of success in environmental and quality of life improvement can be traced over a wide number of fields: the quality of drinking water, the cleanliness of rivers and beaches, the treatment of waste water, the recycling and management of waste, and air pollution. None of this is to deny the room for further progress. For example water quality has improved because of better treatment of urban waste water, the introduction of phosphate free detergents and the reduction of phosphate fertilisers: but the nitrates that accompany intensive farming are still a major problem. Also access to and management of water resources in Southern Europe may become a pressing issue as a result of climate change. Similarly Europe is still producing far too much waste, with attendant problems of exporting waste to less privileged parts of the world.

The Commission's recent thematic study of air quality suggested that by 2030, 311,000 people in Europe will die prematurely as a result of air pollution from principally nitrogen oxides, sulphur dioxides and particles in the air. The action proposed would reduce the rate of premature deaths by about 20,000 a year from what it would otherwise have been– but from a

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58 European Environment Agency Briefing on 'Europe's Coasts' 03/2006

59 The data quoted in this paragraph comes the European Environment Agency's 2005 publication: 'Europe's Enviroment – The Third Assessment'.

rising trend. Deaths from pollution would continue to rise as a result of rising levels of emissions. This upward trend will only be reversed if the EU meets its global warming targets and the air pollutants that accompany carbon emissions are reduced in parallel, in particular from road traffic.

Global warming will prove one of the major economic and social challenges for Europe in the decades ahead. Some people deceive themselves in thinking that the impact of climate change on Europe will be indirect, with increasing desertification of continents like Africa and with the rise of the oceans posing an existential threat to low lying islands and countries like Bangladesh. On this logic, climate change is seen as a development issue, rather like world poverty, where the case for EU action focuses on the risks of political and military conflicts over water supply in the rest of the world, pressures for mass migration and the consequences for economic dislocation would have a particular impact on Europe. However the direct consequences within Europe, while short of catastrophic, could nonetheless be dire: the decline of winter tourism with less predictable Alpine snows; unbearable summer heat waves and increased risk of forest fires in Southern Europe, with a decline in tourism and the attractions of living in Europe's 'Sunbelt'; problems for coastal areas in the Baltic, Mediterranean and Black Sea; increasing occurrence of heavy rain and risk of river flooding in Northern Europe; the disappearance of traditional fishing grounds in EU waters; the spread of tick-borne diseases; and potentially higher energy use as a result of greater demand for air conditioning in the South.[60]

There is also the present political reality that if Europe does not give a lead on climate change, no one else in the world is likely to. However giving that lead may well involve a commitment to economic restructuring in Europe as significant as the shift from the mass manufacturing to the knowledge and service economy. For example, setting price signals for limiting the emission of carbon through emissions trading would in time profoundly influence corporate and consumer behaviour. Sectors that depend on energy intensive production will see relative price rises with far reaching consequences for demand and supply. As with any other significant economic adjustment, there could be large social consequences.

Carbon emissions trading is in principle a non-discriminatory intervention that ensures both that the total quantity of large industrial carbon emissions can be controlled and reduced, and that the purposes for which carbon is emitted have the highest market value. But the trading scheme operates in an energy market where the price signals are already heavily distorted as a result of public intervention in support of favoured technologies. In 2001 EU governments subsidised energy, directly and indirectly, to the tune of over 29 billion Euros. Only 5.3 bn of that figure went to renewables, while solid fuel scooped 13bn and oil and gas 8.7bn[61].

Apart from energy production, the transport sector is the biggest contributor to CO2 emissions. The EU agreed objective is to decouple demand for transport from economic growth. So far however this crucial objective has not been achieved. Within the transport market, the modal shares of road transport and air travel have continued to increase at the expense of rail and water, which are relatively climate change friendly. Air travel is growing at an annual rate of 5%. In the 1990s 12,000 kilometres of new motorway opened in the EU 15. 1000km opened in the New Member States – a figure that may well increase as a result of the increased Structural Funds under the 2007-2013 Financial Perspective. Despite the EU's

60 European Environment Agency. Input of Europe's Changing Climate. EEA Report No 2/2004.

61 European Environment Agency Briefing 'Energy Subsidies and Renewables in 2001' 02/2004

success in radically reducing regulated pollutants by a quarter to a third as a result of vehicle design and emissions regulation, the increase in traffic overall raised CO_2 emissions by a fifth[62].

Economists' favourite solution to the problem of excessive car use is road pricing or some variant for urban areas, such as congestion charging. The logic is impeccable and with advances in technology, widespread implementation looks feasible. But the necessary social adjustments could in time be profound, not least in jobs in the car industry and its suppliers, the pattern of retailing and its supply chain, and the need to finance a new generation of infrastructure investments to provide public transport alternatives to the car. Not least is the risk of economic hardship for families given the spatial patterns of living that have been allowed to emerge. 'Smart' environmentally sustainable growth is a huge economic opportunity for Europe given our technological strengths and global needs – but the 'social reality' of it will be a new pattern of 'winners' and 'losers' unless change is anticipated and government-led action taken.

3.11. Rising Crime and Insecurity

Fact and perception are difficult to disentangle on the issue of crime. Because definitions of crime vary, it is difficult to make exact comparisons between Member States. But it seems that crime as a whole rose in the EU15 from 1950. The crime rate accelerated after 1970, but since 1990 registered crime has remained fairly stable. In some countries crime rates have declined overall (taking into account common offences such as car theft and house burglary) but some types of violent crime has shown a worrying rise.

By the standards of the rest of the world, European societies are not seriously violent. In 1995 murder reduced life expectancy by 0.1 years in Western Europe (the EU15 plus Norway and Switzerland); and 0.4 years in the EU8 and former parts of the Soviet Union; as against 0.3 years in the United States (three times the rate for the EU15); 0.6 in Latin America; and 0.9 in Russia. The worst impact on life expectancy in the world was in Colombia: murder reduces life expectancy there by 2.2 years[63].

Nonetheless, according to Euro barometer, crime regularly registers as the second or third most important issue facing the countries of Europe with around a quarter of adults thinking that. Women and the elderly are the demographic groups who are most likely to feel insecure. However the position varies a good deal between Member States. The Member State where citizens are most concerned about crime is Ireland (54%), followed by Cyprus (49%), Estonia (48%), Latvia (43%), UK (41%), Denmark (34%), and the Netherlands (31%) France (28%) and Sweden (27%). The average is dragged down by a very low level of concern about crime in Germany at 11%. On the other hand almost nine out of ten citizens across the Union consider the combined issues of crime, terrorism and drug trafficking as one of their major concerns and there is sympathy for the EU playing a larger role in addressing these questions.

A high proportion of all crime committed in the EU is drug-related. It is committed either under the influence of drugs; in order to finance buying drugs; as part of running an illicit drugs market; or to thwart drug legislation and law enforcement. In the five years to 2003, reported drug- related offences increased in most Member States and doubled in Estonia and

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62 European Environment Agency Briefing 'Transport and the Environment' 03/2004.

63 Rodrigo Soares 'Welfare Cost of Violence', University of Maryland (September 2004).

Poland – but in 2003 itself reports of drug crime fell in Austria, Belgium, Hungary, Italy, Malta, Slovenia and Spain.

The perception of increasing violent crime, often drug related, has gone along with a rise in anti-social behaviour: petty criminality such as vandalism on housing estates, or extreme rudeness, disrespect and lack of consideration for others. British research has established that this is a huge social justice issue. 1 in 3 people on low incomes, living on social housing or in inner cities complain of anti social behaviour as against only 1 in 20 people in wealthier areas[64]. Older people find such behaviours particularly disturbing. Among those aged 65 and over, 31% in the EU15 and 42% in the new Member States feel it is unsafe to walk around their area at night[65].

Future tends in crime are difficult to forecast. Crime changes as society does. However social, economic and technological changes will lead to a society that is more diverse, networked, better educated, more prosperous and better informed, but with potentially more people at risk. The increased movement of people, services, goods and new technologies brings enormous opportunities for prosperity and growth, but it can also provide new opportunities to commit crimes.

The criminal justice system struggles to cope with these problems. In Europe, the structures and quality of governance in criminal justice as in other fields, is a key issue. Corruption, which can be broadly defined as the abuse of power for personal interests, undermines democracy and the rule of law because it engenders among the public a loss of trust in public institutions. The challenge is to demonstrate to citizens the success of innovative criminal justice strategies that can both tackle the 'causes' of crime, as well as crime itself.

3.12. Migration, ethnic diversity and integration

Migration has long been part of European experience. The pressures that led to the great emigration to the New World also led to population movements within Europe. Think of the Irish in Britain or the highly diverse character of big cities such as Prague before the Second World War. Migration in Europe remains a complex and diverse phenomenon.

- The forced population movements at the end of the Second World War included a large settlement programme of Russians in Estonia and Latvia.

- From the 1950s to the first oil shock in 1974, the booming countries of Western Europe sought migrants to satisfy unquenchable labour demand. Today, the low skill jobs that they were largely recruited to fill are rapidly disappearing, though there are shortages in some areas, including high skills. The record of the second and third generation migrants in terms of successful integration into knowledge economy (along with many other citizens) is at best, patchy.

- Migration picked up again in the 1990s, as a result of growing labour shortages. Claims for asylum, initially as a result of the break up of the former Yugoslavia, grew as did illegal clandestine migration. These later waves affected Member States who previously had little experience of migration. In 2004, 12% of Sweden’s population and 6% of Denmark’s was foreign born.

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64 Social Exclusion in the UK. Report by the Prime Minister’s Strategy Unit (2005).

65 Robert Anderson, 'Quality of Life and Care for older people in Europe'. European Foundation for the Improvement of Living and Working Conditions.

- Southern Europe has recently become a popular destination for migrants for the first time: in Greece from the Balkans and Near East; in Italy from Albania and North Africa; in Spain and Portugal from South America and Africa. Net legal migration to the EU has in all been over one and a half million a year in the three years up to 2005.

- In the new Member States, in the former Communist era, many wanted to leave but were prevented from getting away. Post- transition, the population, after a period of decline, is growing again and since EU accession in 2004, migrant flows have been much larger than forecast though a significant element may be temporary.

Recent waves of migration are transforming many European cities. The population in cities as different as Birmingham, Marseilles and Malmo is made up of more than one third ethnic minorities[66]. According to work by the official Dutch agency commissioned to assess social trends, the 'non-native Dutch' population of Amsterdam and Rotterdam was 6% in 1973, is 34% today and is forecast to be over 50% by 2020. There are also concentrations today of non-native Dutch in the two other largest cities in the Netherlands – The Hague (30%) and Utrecht (20%). This contrasts with figures for the 'non-native Dutch population' in the Netherlands as a whole of 9.7% in 2003 and a forecast of 14.1% for 2020[67].

There is a strong economic case for migration, but in this paper it is right to highlight the social benefits. Diversity has culturally enriched Europe. One has only to think of our diets, music and sporting heroines and heroes to recognise that. And of course the social contribution that migrants have made to the social welfare of our societies has been huge but is often unrecognised – in the caring services and in doing the essential public service jobs that might otherwise have gone unfilled.

In describing the social reality of Europe today, it is also important to acknowledge that from the perspective of the migrant communities, many of whom are now full citizens of EU Member States, their treatment in our societies leaves a lot to be desired. Despite progress in tackling overt racism and intolerance, there remain huge problems of discrimination, unemployment and access to decent public services such as housing, health and good schools. Problems are particularly acute for 'paperless' immigrants who are not fully accounted for in the statistics and who are technically 'illegal', and there is no consensus about how they should be handled. But even among migrant communities who have proper legal status and many of whom are European citizens, unemployment can be high and educational attainment poor[68]. For example in the Netherlands, two thirds of the adult population as a whole are in employment, but only 40% of Moroccan Dutch. 60% of Moroccans leave school with few or no qualifications: only 10% of the 'native Dutch' do so[69]. In Germany less than one in ten Germans of Turkish origin get to university as against four in ten 'native Germans'. Even in Sweden where the education system delivers for second generation migrants a performance

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66 Alessandra Buonfino 'Immigration and Integration', The Young Foundation, London (2006). 16% of the present population of Birmingham and 24% of Marseilles is foreign born.

67 Merove Gijsberts 'Ethnic Minorities and Integration' Social and Cultural Planning Office, The Hague (September 2004).

68 Gosta Esping Andersen op cit Table 2, page10 quotes data for the deficit in educational attainment among migrants groups in different (but not all) Member States. Adjusting the 'raw' deficit for sex, mother's education, parental socio-economic status and the family's cultural capital, he shows that the Member State education system performing worst is Belgium, followed in order by the Netherlands, Germany, Austria, Sweden, Spain, Finland, the UK, France and Denmark. The only Member State where immigrants do better on this basis than the native population is Ireland, which has a similar level of performance to the United States.

69 Merove Gisjberts op cit.

on a par with 'native Swedes', members of migrant communities find it much more difficult to come by decent jobs. And in the new Member States there is a native population of at least 10 million Roma who are chronically disadvantaged. It is for all these powerful reasons that the EU has taken a lead in fighting discrimination.

But there is also another even less welcome side to the coin of Europe's social reality that has first to be acknowledged before it can be addressed: serious problems of integration with the host community[70]. 25% of EU15 citizens reject the proposition that it is a good thing for any society to be made up of people from different races, religions or cultures; 48% believe it is better for a country if almost everyone shares customs and traditions; 60% believe there are limits to how many people of other races, religions or cultures a society can accept[71].

Precise attitudes vary between the citizens of different Member States, but there is at best wariness towards migrants on the part of the majority population and for a minority outright hostility. Half the 'native Dutch' has for twenty years had a reserved or hostile attitude to having neighbours next door of different ethnic origin: the figure fell to a percentage low in the mid-40s in the mid-1990s, only to rise to over 55% in the wake of Pim Fortuyn[72]. The 'native Dutch' image of Muslims is generally negative. The British claim to be more tolerant of Islam but are extremely resentful about what they believe to be unfairness in the way that asylum seekers and other migrants 'abuse' the welfare state[73].

Across Europe, the most pronounced concerns about integration are held by older people not younger; the less well educated, manual workers and people on low incomes. These particular groups perceive that migration has had a significant adverse impact on their well-being: low skilled workers who face new competition for jobs that may depress wages; young couples looking for a rented flat in inner city areas; parents who find their child being taught in a class where many different languages are spoken; overcrowded doctors surgeries; old people living on their own who find it difficult to cope with new neighbours from different cultures.

Public concern is often related to the scale and speed of the phenomenon and the individual's level of personal contact. Neighbourhoods which are already ethnically diverse tend to have a more positive view of immigrants than those where few immigrants live. It is important to recognise that these attitudes exist, even where they are based on misunderstanding and false perceptions, but they should never be a justification for prejudice or an excuse to exaggerate the impact of migration on pre-existing social problems. Facts have to be recognised and issues squarely addressed without whipping up hysteria. For example, experience in countries like Denmark show that good economic performance and a well functioning welfare model do not in themselves guarantee the ready integration of immigrants and ethnic minorities. There is a need for targeted integration programmes for young immigrants in schools and to combat discrimination. The 'ethnic minorities' can no longer be treated as a homogeneous block. For example, children of Indian origin on average now perform better than whites in British schools, but this is not true on average of Pakistanis and Bangladeshis.

An even bigger challenge is cultural. In several Member States, there seems a growing consensus that 'native' language learning should be a social obligation. But there are many

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70 These issues are more thoroughly discussed in BEPA's own Paper 'Migration and public perception' by Marcel Canoy, Ricklef Beutin, Anna Horvath, Agnes Hubert, Frederic Lerais, Peter Smith and Myriam Sochacki. (October 2006).

71 Eurobarometer 138, Racism and Xenophobia in Europe.

72 See graph on page 34 of Merove Gijsberts op.cit.

73 MORI poll for the UK Home Office (2006).

potential flashpoints over values and customs. Episodes such as the Danish cartoons show the level of sensitivities at stake. There are potential conflicts over attitudes to women, arranged marriages, headscarves, and homosexual equality, all of which have the potential to be bitter and divisive. The need for dialogue and common understanding is urgent, particularly on the boundaries between private beliefs and public rights and against the background of respect for fundamental values and the rule of law.

The July7 London bombers were superficially well integrated as British citizens. Feelings of rejection of the host society are extremely complex, but vital to understand. These are not problems of migration, but social issues that arise between citizens. Most European societies have until recently shied away from debate about the obligations of citizenship – both for migrants and ethnic minorities on the one hand and the native population on the other. There is a need for understanding, tolerance of 'otherness' and dialogue, not grandstanding.

The festering of unresolved tensions and the high levels of negativity towards people with whom Europeans live side by side are a challenge to the ideals of social cohesion and strong community which are a conventional part of our values and political discourse. Indeed the linkage of migration to issues of race, ethnicity and religion raises many of the old demons of Europe's past, which as several historians have pointed out, were current in many European cultures but are firmly rejected by the EU today.

Concluding remarks

Any exercise of this kind is bound to highlight 'problems': it would have no credibility if it avoided them. European societies face major social challenges. The knowledge economy can seem threatening to those with low skills and low educational aspirations. Unemployment and inactivity still blights too many people’s lives, as do unresolved problems of widespread poverty. Generational disadvantage may be becoming more embedded and social mobility more problematic. The social consequences of self perceptions of failure in our unequal societies may be causing new stresses and problems in terms of family dysfunctionality, crime and anti social behaviour, mental illness and the new diseases of affluence. The ties of solidarity that underlay the European Social Model may be corroding, particularly as a result of welfare dependency and the issues relating to the integration of minority communities into our societies.

That said there are many grounds for optimism. Life satisfaction and happiness is higher in Europe than any other part of the world. Life expectancy has increased and could increase a lot further, as could the possibilities of leading healthier as well as longer lives. The jobs people do in the knowledge economy have more potential to be more fulfilling. Educational opportunity is expanding. Women are more independent and in control of their own lives. Diversity has the potential to be a great source of creative strength. Successfully managed migration can help meet Europe’s economic and social needs.

Europeans can look forward to a world full of fresh opportunities. The task of policy makers in our Member States and at EU level is to ensure the widest possible access to them.

4. ISSUES FOR DISCUSSION

4.1. Trends

This paper has set out a number of trends in a number of areas such as

- Transition to post-industrial knowledge and service economy
- The welfare state
- Consumer focus – impact of affluence
- Demographics
- Values – the individual, the family, the community, society.

Do you agree with the analysis Do you have additional data that would support (or contradict) the analysis?

4.2. Well-being

What do you mean by well- being? In addition to material possessions, what really matters in making our lives happy and satisfied?

How would you list in importance the key factors contributing to well-being: for example, being in work, satisfaction in the job, opportunity for a good family life, adequate housing, good health, access to educational opportunity, chances of social mobility, good neighbours and friends, strong local community ties, feeling secure on the streets and in one's home? What else?

And what do you think are the main obstacles in Europe today: not enough money, lack of decent jobs, too much pressure on the family and leisure time, poverty and inequality, inadequate public services such as health and education, prevalence of crime, lack of respect, problems of migration and multiculturalism?

4.3. Opportunity and Access

What are the most important factors in maintaining or increasing one's opportunities in today's society? (Education, social status, wealth, health, public services etc)

- Education

What needs to be done to expand educational opportunity for all through life? What could be done to make up for the consequences of early educational disadvantage being reinforced later in life; to reduce the number of early school leavers; to widen access to further and higher education particularly for the socially disadvantaged; and to grant access to all to learn through life?

- Employment /the Work Place

What are the main barriers to finding a decent job and keeping up with the skills to obtain another, if need be? What are efficient solutions to overcome these barriers and enlarge access to jobs? What is the right balance of security and opportunity in the modern labour market?

Is stress at work rising and if it is, what is causing it – for example, new job demands, employment insecurity, inadequate work life balance?

What is needed to help 'dual-earner' couples balance work, family and leisure? What can be done to ease the tensions of having a career and combining it with a decent family and private life for both women and men?

- Society and Social relationships

What are the social implications of changing values? The changing role of women? The role of men? What are the barriers in society to happy family lives and can governments do anything to help remove them? Is the declining birth rate a purely private matter or should it be one of active public concern?

Why is poverty, especially child poverty, still so prevalent in Europe? What is to blame, how serious are the consequences for society and what if anything, should be done?

Does it matter if our societies are becoming more unequal? How can an increasingly diverse society be also a cohesive one? How does diversity affect solidarity? How can integration be improved? How can access for all to (public) services such as justice, administration, culture, social services (and social housing) and social security be guaranteed?

As life expectancy increases, how much will the burden of care for the elderly rise and who should meet it - in both financial cost and personal time? What are the social implications of the increasing numbers of elderly people living alone? Where should the balance of responsibility lie between family, community and state? What are the social and economic barriers to older people working longer?

What explains the persistence of poverty among 1 in 6 old people in the EU?

What are the most important things that could be done to extend the number of years of good health that people enjoy? Can inequalities in health outcomes be reduced? What can be done about health issues that are the result of lifestyle choice and how do we strike the right balance between individual and societal responsibility? How can access for all to health services be guaranteed?

How have perceptions of quality of life changed in recent decades? What priority are Europeans prepared to give to environmental sustainability above other more immediate objectives? What are the economic and social implications for Europe of a determined effort to offer a global lead on climate change?

How serious is the impact of crime and anti social behaviour on well-being and what can be done?

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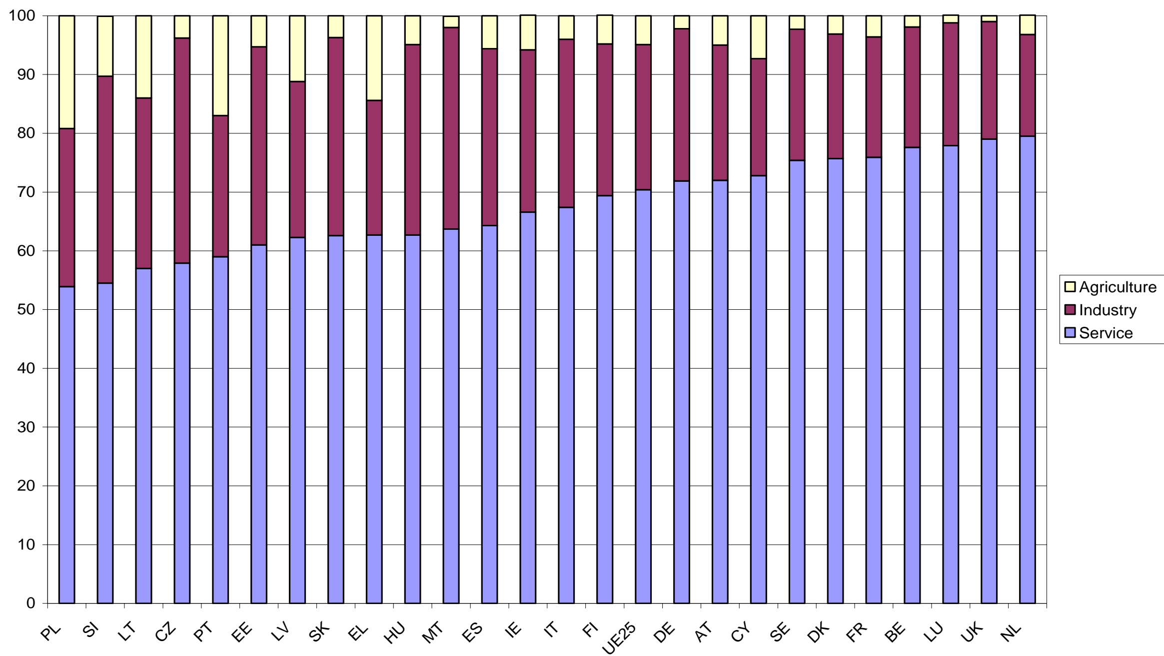
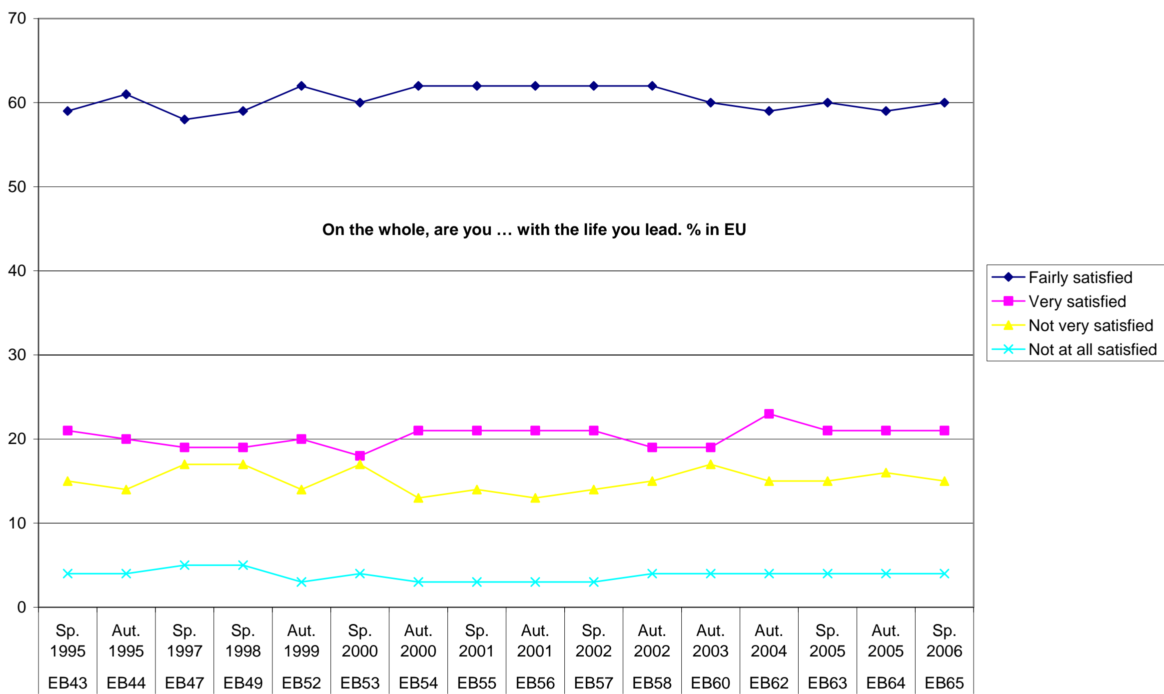
ANNEX : Charts and Tables

Chart 1: Comparative employment structure (by main employment sector) of the EU member States, 2005



Source : Eurostat, LFS, in Employment in Europe 2006

Chart 2 life satisfaction in EU



Sources: Eurobarometer 65

Table 1: Change in employment 1995-2005

	Knowledge based industry	Other industry
Spain	74.6%	42.4%
Ireland	70.7%	42.9%
Greece	36.8%	8.3%
Netherlands	29.9%	12.3%
Italy	28.4%	4.1%
Belgium	23.3%	3.7%
Finland	29.6%	13.5%
Austria	18.3%	-5.4%
Germany	17.1%	-8.6%
UK	16.7%	1.0%
France	16.3%	7.3%
Portugal	11.1%	1.4%
Denmark	11.6%	-0.2%
Sweden	12.8%	2.0%
EU15	23.9%	5.7%

Note:Knowledge based definition other industries manufacturing,construction,agriculture, and water, retail, Portugal is 1998-2005

Source:Brinkley and Lee (2006) from Eurostat data

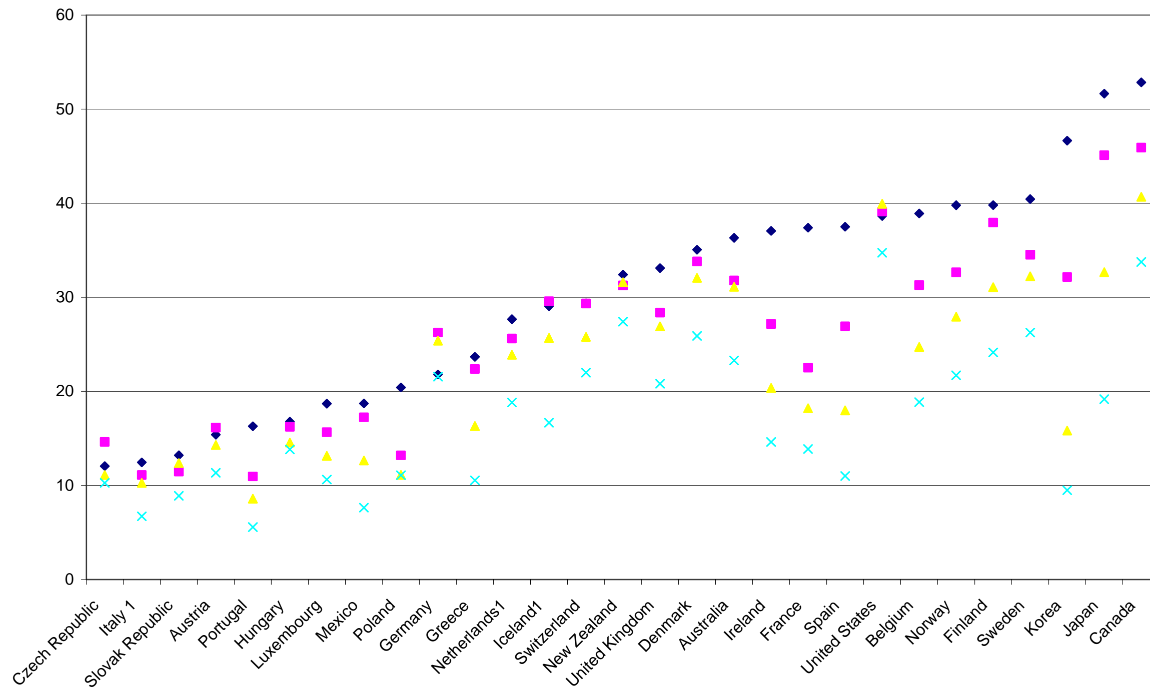
Table 2 : Projected dependency ratios (in %)

	2003	2025	2050	Change 2003-50
BE	26	36	47	21
DK	22	34	42	20
DE	26	38	52	26
GR	26	36	60	35
ES	25	33	66	41
FR	25	37	46	21
IE	16	25	45	29
IT	28	39	62	34
LU	21	28	36	15
NL	20	33	41	20
AT	23	34	52	30
PT	23	35	59	36
FI	23	41	47	24
SE	26	36	41	14
UK	24	33	45	21
CY	14	29	43	30
CZ	20	35	55	35
EE	23	31	43	20
HU	22	34	48	26
LT	22	29	45	23
LV	23	31	44	21
MT	19	34	41	22
PL	18	33	51	33
SK	16	28	51	34
SI	21	36	56	35
EU25	24	35	51	27
EU15	25	36	52	26
EU10	19	33	50	31

Source : European Commission 2005, Economic Paper n° 236

Chart 3: Population that has attained tertiary education (2003)

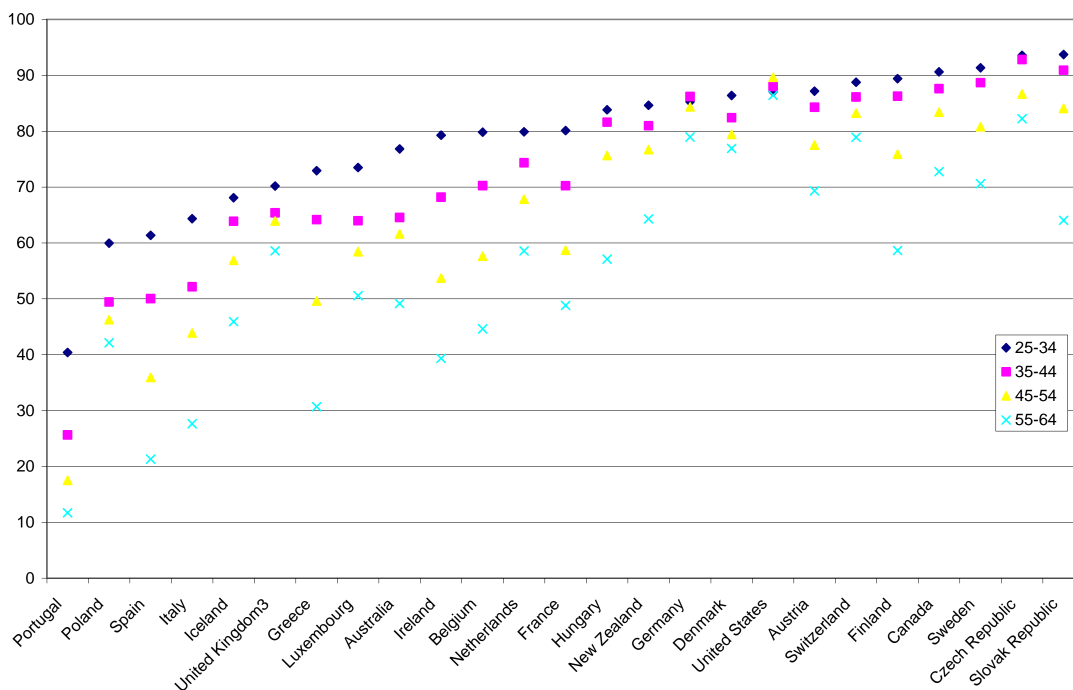
Percentage by age group/decade



Source: van Vught F. (2006) from OECD, 2005
Note: 1990s refers to age group 25-34

Chart 4: Population that has attained upper secondary education (2003)

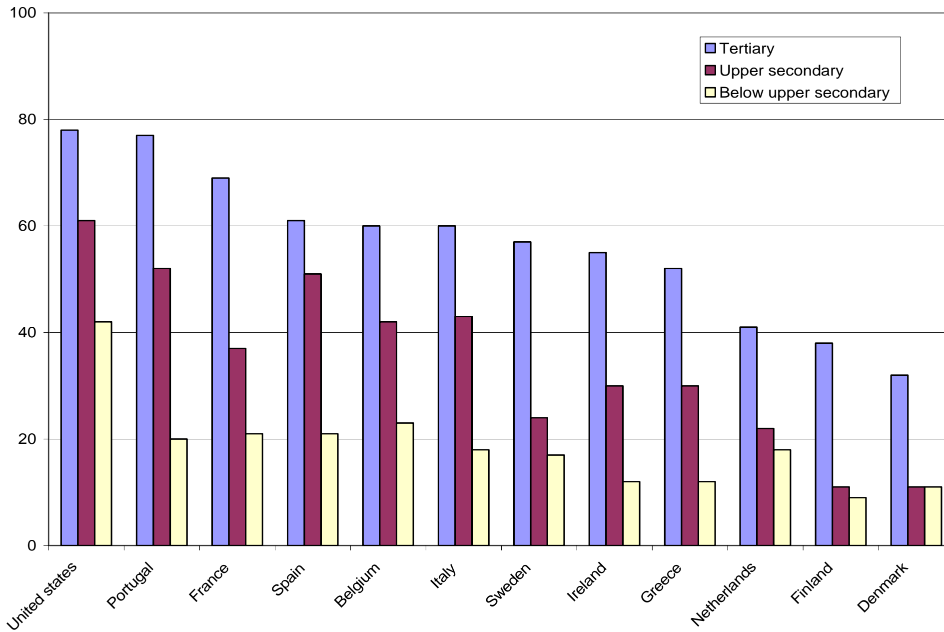
Percentage by age group/decade



Source: van Vught F. (2006) from OECD, 2005
Note: 1990s refers to age group 25-34

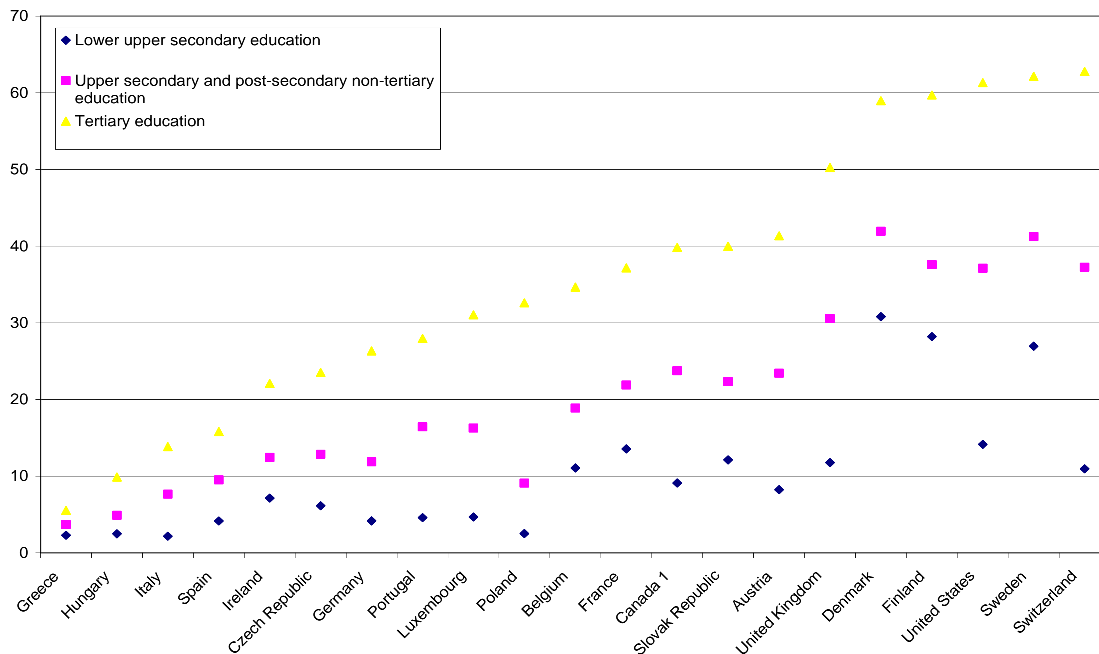
Chart 5 : Youths participating in tertiary education by educational attainment of their parents,

1994-95



Note: Participation rates of 18-24 year olds.
Source: 'Social Disadvantage and Educational Experiences'. OECD Social, Employment and Migration Papers (2006) from EURYDI CE (1997).

Chart 6 : Participation rate in non-formal job-related continuing education and training for the labour force 25-to-64 years of age, by level of educational attainment, 2003



Note. Countries are ranked, from left to right, in ascending order of the participation rates in non-formal continuous education and training, for all levels of education, within a 12-month period.
1. Data for Canada refer to 2002.
Source : 'Social Disadvantage and Educational Experiences'. OECD Social, Employment and Migration Papers (2006) ; OECD (2005), Education at Glance, Paris

Table 3 : Internationally Comparable Estimates of Intergenerational Mobility

Country	Dataset	Sons Born	Sons Earnings Measure	Measure of Parental Status	Intergenerational partial correlation[1]
Britain	British Cohort Study	1970	2000 (Age 30)	Parental income 1980 and 1986 (average)	.271[a]
US	Panel Study of Income Dynamics	1954-1970	Age 30	Parental income when son age 10 and age 16 (average)	.289[a]
West Germany	Socio-Economic Panel	1960-1973	2000	Parental income 1984 and 1988 (average)	.171[a]
Canada	Intergenerational Income Data (from tax registers)	1967-1970	1998	Parental income when son aged 16	.143[a]
Norway	Register data	1958	1992 and 1999 (average)	Father's earnings 1974	.139[b]
Denmark	Register data	1958-1960	1998 and 2000 (average)	Father's earnings 1980	.143[b]
Sweden	Register data	1962	1996 and 1999 (average)	Father's earnings 1975	.143[b]
Finland	Quinquennial census panel	1958-1960	1995 and 2000 (average)	Father's earnings 1975	.147[b]

[a]Blanden (2005) Table 3.3 ; [b]Bjorklund et al (2005) Table 3.

The partial correlation is equal to the beta coefficient scaled to adjust for changes in inequality across generations. This is important as inequality grew at different rates for the countries in this sample.

Source : Jo Blanden, Paul Gregg and Stephen Machin 'Intergenerational Mobility in Europe and North America' LSE Centre for Economic Performance (April 2005)

Table 4 : At-risk-of-poverty rates by household type, 2003

.	Single parent with dependent children	Two adults with one dependent child	Two adults with two dependent children	Two adults with three or more dependent children	Three or more adults with dependent children
EU25	33	11	12	24	n.a.
Austria	31	9	13	20	9
Belgium	30	11	8	19	13
Cyprus	22	10	6	15	6
Czech Republic	30	7	8	20	9
Denmark	18	5	4	13	10
Estonia	33	15	18	24	16
Finland	19	5	5	11	8
France	29	9	9	16	16
Germany	44	11	11	21	15
Greece	34	13	16	32	30
Hungary	16	8	10	23	17
Ireland	54	16	11	25	12
Italy*	36	15	24	36	n.a.
Latvia	31	13	13	32	18
Lithuania	27	11	12	28	14
Luxembourg	15	9	11	10	12
Netherlands	39	8	10	24	12
Poland**	24	11	16	33	19
Portugal*	30	14	25	34	n.a.
Slovakia	40	22	26	35	18
Slovenia	25	4	8	9	8
Spain	24	12	14	35	22
Sweden*	19	8	5	14	n.a.
United Kingdom	40	13	12	27	16

*, **

Source : Eurostat